S. HRG. 98-231

DEPARTMENT OF ENERGY FISCAL YEAR 1984 AUTHORIZATION
(Energy Information Administration)

HEARING

BEFORE THE

SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY

OF THE

COMMITTEE ON ENERGY AND NATURAL RESOURCES UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

TO

REVIEW THE DEPARTMENT OF ENERGY'S FISCAL YEAR 1984 BUDGET REQUEST

JUNE 24, 1983

Printed for the use of the
Committee on Energy and Natural Resources

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DEPARTMENT OF ENERGY FISCAL YEAR 1984 AUTHORIZATION

(Energy Information Administration)

FRIDAY, JUNE 24, 1983

U.S. SENATE,
SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room SD-366, Dirksen Office Building, Hon. Lowell P. Weicker, Jr., presiding.

Present: Senator Weicker.

Also present: Jack Gleason, professional staff member; Benjamin S. Cooper, professional staff member for the minority; and James T. Bruce, counsel for the minority.

OPENING STATEMENT OF HON. LOWELL P. WEICKER, JR., A U. S. SENATOR FROM THE STATE OF CONNECTICUT

Senator WEICKER. The meeting will come to order.

The Energy Conservation and Supply Subcommittee will conduct budget hearings, budget oversight hearings, today on the Energy Information Administration. And the witness will be Mr. Erich Evered, Administrator of EIA.

EIA was created as an independent branch of the Department of Energy under the DOE Organization Act. Prior to EIA's establishment, there were 23 executive branch departments and independent agencies conducting major energy data gathering functions. By and large, EIA has effectively fulfilled its mission of providing independent, centralized data with a high degree of accuracy and reliability.

I am puzzled, however, by the administration's budget request for EIA. On the one hand, we are told the marketplace, left to its own, will provide sufficient conservation incentives. Yet, on the other hand, EIA's budget requests have been cut from the fiscal year 1981 appropriation of $104 million to today's $50 million. If the energy consumer is to make intelligent energy choices, we must at the very least provide that consumer with the information to make wise choices.

As a function of these budget cuts, EIA has willfully failed to produce at least one report absolutely required by law. Specifically, Mr. Evered, you, with or without the approval of OMB, intended not to produce the performance profiles on major energy producers this year. I understand this matter has been resolved out of court in the face of litigation—an action that should not have been necessary. And I would simply point out to you that Congress passes laws with the expectation that they will be carried out.

I am not insensitive to your predicament, and have directed my staff to review with yours the possibility of seeking legislative relief for EIA along the lines that DOE has requested.

The subcommittee had hoped that the professional audit review team would testify today and give us a clearer picture of EIA's management and control status. Unfortunately, however, we have been informed that that group has been necessarily delayed in completing its annual review of EIA. Nevertheless, I am submitting their May 1982 report for today's record.

[The report follows:]

BY THE PROFESSIONAL AUDIT REVIEW TEAM

Report To The President And The Congress

Performance Evaluation Of The Energy Information Administration

Department of Energy

PART-82-1
MAY 19, 1982

OVERVIEW

As an independent organization within the Department of Energy, the Energy Information Administration (EIA) provides objective and credible information and analyses needed for energy deliberations and decisionmaking. In the past year, the administration has reduced and reoriented many of EIA's energy information activities, and has proposed legislation that would remove major energy information requirements.

The Professional Audit Review Team has reviewed EIA's budgetary and staffing reductions and has evaluated EIA's performance of its major responsibilities. Accordingly, this report focuses on issues that affect EIA's capability to carry out its missions. These matters include EIA's organization and planning, independence from energy policy functions, efforts to ensure the usefulness of data and publications, and quality control procedures and statistical standards. This report should be useful to the President of the United States and the Congress in obtaining a current perspective on EIA's operational environment and its overall performance.

PART-82-1
May 19, 1982

Requests for copies of this report should be sent to:

Chairman, Professional Audit
Review Team
Room 308
100 Indiana Ave., N.W.
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Tear Sheet

F. Kevin Boland, GAO, Chairman

Keith Anderson, FTC
Barbara Bailar, Census
Gene L. Finn, SEC
David Munro, CEA
Ronald E. Kutscher, BLS

Edward A. Kratzer, Staff Director

PROFESSIONAL AUDIT REVIEW TEAM

441 G Street, N.W.
Washington, D.C. 20548

To the President of the United States,
the President of the Senate, and the
Speaker of the House of Representatives

This report discusses the results of the Professional Audit Review Team's (PART's) annual evaluation of the performance of the Energy Information Administration (EIA), as required by the Department of Energy Organization Act (Public Law 95-91, dated August 4, 1977). The report addresses major funding and staffing reductions in EIA's activities and evaluates EIA's performance of functions that are central to its capability to effectively perform its role. Accordingly, the report should be useful in deliberating energy information issues in the context of their current operational environment.

Copies of this report are being sent to the Department of Energy, the Office of Management and Budget, the chairmen of energy-related congressional committees, and to the heads of the PART member agencies.

F. Kevin Boland
F. Kevin Boland, Chairman
General Accounting Office

Gene L. Finn
Securities and Exchange
Commission

Keith Anderson
Federal Trade Commission

Ronald E. Kutscher
Bureau of Labor Statistics

Barbara Bailar
Bureau of the Census

David Munro
Council of Economic Advisers

Tear Sheet

PROFESSIONAL AUDIT REVIEW TEAM'S REPORT TO THE PRESIDENT AND THE CONGRESS

PERFORMANCE EVALUATION OF THE ENERGY INFORMATION ADMINISTRATION
Department of Energy

EXECUTIVE SUMMARY

Established in 1977 by the Department of Energy (DOE) Organization Act, the Energy Information Administration (EIA) was made the focal point for developing and maintaining comprehensive energy information programs. EIA was organized as a separate entity within DOE to ensure that energy data collection and analysis functions are not biased by political considerations or energy policy formulation and development activities. In addition, the act provides for the Professional Audit Review Team (PART) to make an annual audit to ensure that EIA's activities are performed in an objective and professional manner.

The administration believes that energy information activities can be reduced along with diminished activity in other Federal programs and has moved to reorient and reduce energy data and analytical services. These actions are seen in the substantially reduced funding levels approved for fiscal year 1982 and proposed for fiscal year 1983. The administration also has proposed legislation that would repeal energy information requirements under several laws.

The reorientation of EIA's activities already has been pervasive. For example, EIA's efforts to develop new information systems have been delayed or eliminated, existing data collection efforts have been curtailed, analytical studies have been restricted to the most essential energy policy considerations, and major information validation functions have been scaled back to a quality assurance level.

This report focuses on issues that are at the center of EIA's capability to effectively carry out its role. These issues include EIA's organization and planning, independence from energy policy functions, efforts to ensure the usefulness of data and publications, and quality control procedures and statistical standards.

FINDINGS AND CONCLUSIONS
Organization and Planning

The redirection of the Federal energy role during the past year has resulted in a fundamental transformation in EIA—both in its structure and its operations.

In line with major budgetary and staffing reductions, in July 1981, EIA reorganized its activities to focus on basic statistics and analyses by fuel type. EIA believes that its new structure will increase its effectiveness by streamlining functions and providing better coordination among offices. Because EIA has had limited experience working under the current organizational structure, PART did not attempt to evaluate the effectiveness or efficiency of the new organizational arrangements. PART found, however, that in assigning its staff to the new offices, EIA gave inadequate attention to determining the number and types of skills each office needed.

Assessing the number of and types of employees it needs to carry out its specialized functions should allow EIA to better ensure that its services are being effectively and efficiently delivered by each of its offices. It also should enable EIA to assess the impact of any future modifications to its activities and how it can best respond to them—both organizationally and operationally.

Throughout its 4-year history, EIA has not placed adequate emphasis on developing the short- and long-range plans needed for decisionmaking, monitoring and controlling projects, and measuring program results. Although it had been without a comprehensive plan during the past year, EIA recognizes the importance of sound planning and is working toward the implementation of a planning, programing, and budgeting process to provide adequate direction, control, and oversight for its projects and programs. Given the chronic difficulties that EIA has experienced in the planning area, PART believes that the implementation of this process should receive high priority and the attention of top EIA management.

Independence from policy functions

The independence and objectivity of EIA's activities are essential to providing credible energy information and analysis. Based on its review of analytical products furnished to a variety of requesters and of EIA's 1979 and 1980 Annual Reports to Congress, PART finds no reason to believe these activities are being affected by energy policy influences. Moreover, EIA's objectivity is enhanced through the expert review and comment it regularly receives through external energy information meetings.

Nevertheless, PART believes that EIA's independence and objectivity are jeopardized by the absence of a centralized process for recording and monitoring requests for analytical services. Such a process should include uniform procedures for assuring that all assumptions inherent in EIA's analyses are documented and fairly stated in the resultant written products.

EIA's efforts to determine the usefulness of data and publications

The ultimate success or failure of EIA's work is determined by the usefulness of its products. For EIA to provide useful information in a cost-effective manner, the needs of data users must be determined. Although EIA has repeatedly studied the use of its data and publications, most of the studies have had serious shortcomings, and a systematic approach to identifying user needs has not been developed. Data users have had only limited involvement in the development of new data systems, and studies of users' needs have not provided an incisive assessment of immediate or future requirements.

Quality control procedures and statistical standards

As the Federal focal point for energy information, proper control and documentation of the quality of EIA's statistical and analytical information is critical to EIA's mission. To ensure the quality of its work, EIA must have uniform standards and procedures for determining the accuracy of its data systems and for controlling and evaluating its products. Although EIA has efforts underway, key standards and quality control

procedures have not yet been established.

To a large extent, the quality of EIA's products is dependent on its compliance with statistical reporting standards. PART's review of this area shows mixed results. For example, the basic data presented in EIA's publications are well presented in tabular form, and the sources of the data are generally clearly indicated. However, PART's review of several publications shows that statistical standards are not being consistently followed. As a result, users of EIA's products have insufficient information in several key areas, including the design of the survey, quality of the data, and limitations on how the data should be used.

RECOMMENDATIONS

PART recommends that the Administrator, EIA:

--Require the Director, Office of Planning and Resources, to assess the number and types of skills EIA needs to meet its overall requirements and to determine whether staffing allocations to each EIA office are appropriate.

--Assign a high priority and adequate resources to implementing a comprehensive planning process and be provided regular reports on the status of the process.

--Develop and implement a control process and uniform procedures to record the assumptions that requesters want to have incorporated into EIA's forecasts and analyses and to assure that the resulting products clearly describe the requesters' specifications.

--Direct that EIA's current and future data collection and publication efforts take into account the views and suggestions of a representative group of EIA's current and potential users.

--Stipulate that EIA's user-needs studies build upon past studies and be expanded to identify current and potential users, categorize the priorities of the users, develop methodologies for soliciting input from them, and integrate the results of the various studies.

--Develop and implement standards needed to ensure that EIA's validations of its information systems and assessments of its models are properly performed.

--Expedite the implementation of a comprehensive quality assurance program to ensure the continued credibility of EIA's data. This should include establishing more timely completion dates for developing quality assurance standards and procedures, assigning program offices specific responsibilities for quality control functions, and as necessary, allocating resources to ensure these responsibilities are met.

--Emphasize the importance of adhering to statistical reporting standards in preparing EIA publications and establish an enforcement process to ensure that the standards are followed.

AGENCY ACTIONS AND COMMENTS ON RECOMMENDATIONS

In general, EIA expressed agreement with the facts contained in this report and with PART's recommendations. For example, EIA stated that it

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—is continuing to give serious attention to its staffing requirements,

—has initiated or planned actions to improve its planning system,

—would implement an analysis request tracking system,

—would expand its assessment of user needs as resources permit, and

—will continue to develop statistical standards and will provide quality assessment in carrying out its overall responsibilities.

Except for EIA's position on the need to perform an assessment of its staffing requirements, PART believes that EIA's comments are responsive to each recommendation contained in this report. Regarding the need for a study of its staffing requirements, EIA stated that its staff's planning needs were addressed very carefully in preparing for EIA's reorganization and that these activities are continuing. EIA also said that, since it is not contemplating hiring additional personnel, offices responsible for EIA's work would give their attention to internal staff reassignments.

PART is aware of the serious attention that EIA gave to its staff reassignments and endorses the actions EIA is now taking. PART believes, however, that an adequate understanding of the number of personnel EIA needs in a variety of specialized areas can best be obtained through a study of EIA's requirements and the skills needed to meet them. Since such an assessment should be as consistent as possible in the procedures and approaches used to determine staffing needs, PART believes it could best be performed by a central organization--preferably the Office of Planning and Resources, which has overall responsibility for staffing functions.

See pages 13, 22, 32, and 44 for EIA's specific comments concerning each recommendation.

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ABBREVIATIONS

DOE	Department of Energy
EIA	Energy Information Administration
GAO	General Accounting Office
PART	Professional Audit Review Team

CHAPTER 1

INTRODUCTION

Energy shortages during the past decade increased the Nation's awareness of its energy problems and the need for adequate information to formulate and develop energy policies and programs. In 1976, 23 executive departments and independent agencies operated 238 major energy data gathering programs. However, during most of the 1970s, the inadequacy of these fragmented programs was underscored by their inability to provide comprehensive information needed for policy decisions during energy emergency situations. Also, Federal energy information programs were criticized for increasing the energy industry's reporting burden and contributing to a general lack of understanding of the energy problem.

Established in 1977 by the Department of Energy (DOE) Organization Act, the Energy Information Administration (EIA) was made the focal point for developing and maintaining comprehensive energy information programs. In accordance with the act, EIA was given responsibility for information systems previously situated in the Federal Power Commission, the Bureau of Mines, and the Federal Energy Administration. The act also transferred to EIA the responsibilities of its predecessor, the Federal Energy Administration's Office of Energy Information and Analysis. This included responsibility for carrying out a unified program to collect, process, and publish data and information relevant to energy resource reserves, energy production, demand, and technology.

The DOE Organization Act also recognized the need to ensure that energy data collection and analyses functions are not biased by political considerations or energy policy formulation and development activities. The act specified that EIA be organized as a separate entity within DOE, separated from DOE's role in formulating and advocating national energy policy, and headed by a professionally qualified administrator who is appointed by the President with the advice and consent of the Senate. In specifying the character of EIA and in describing some of the statistical and forecasting capabilities and reports it desired, the Congress attempted to create an organization capable of providing credible energy data and analyses necessary for sound decisions on national energy policy.

TRANSITION IN ENERGY INFORMATION PROGRAMS

During the past year, EIA has moved from a growing information organization to one striving to maintain its basic data systems and services. Dwindling resources available to EIA already have resulted in sudden, drastic changes in its capabilities. This and future actions proposed by the administration could result in changes in EIA's basic responsibilities for maintaining comprehensive national energy information systems.

For example, the administration has moved to deemphasize the Federal role in energy policy and regulation functions--key uses of EIA's information. And, in line with budget reductions, DOE has submitted a legislative proposal to relieve EIA from several major reporting requirements.

Reorienting energy information functions

As EIA continued to improve and expand its information programs, its budget grew steadily. In fiscal year 1981, EIA was appropriated about $104 million--approximately $55 million more than it received when it was created 4 years earlier. Of this amount, $13.7 million was rescinded, leaving $90.4 million for obligation. Its authorized personnel level also increased substantially. Although most of EIA's funding continued to be spent for work performed under contract, its fiscal year 1981 authorized personnel level of 928 employees represented a 25 percent increase since fiscal year 1978. This personnel level was reduced to 716 in the fiscal year 1981 budget rescission.

As part of its effort to reduce Federal costs and the burden that Federal information gathering activities place on private industry, the administration has moved to reorient and reduce energy data and analytical services. The administration's primary objectives are to

--reverse the trend toward more detailed and refined energy statistics and assessments;

--focus efforts on fundamental oil, gas, coal, and electric utility data systems;

--emphasize national-level data and reduce State-level data that is costly to collect;

--reduce or eliminate information systems that produce information that is readily available from other sources; and

--reorient analytical efforts to provide faster, more relevant analyses, reduce longer term forecasts, and eliminate mid- and long-term analyses.

In addition, the administration believes that energy information activities can be reduced along with diminished activity in other Federal energy programs. For example, reflecting its philosophy that a more market-oriented approach is needed to bring about changes in patterns of energy production and use, the administration has reduced DOE's responsibilities in a wide variety of energy areas, including policy formulation, regulation, research and development, and conservation.

EIA's fiscal year 1982 budget appropriation of $78.9 million is approximately $48 million less than the amount it originally

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requested for that year. The effects of the reductions are far-reaching, having an impact on EIA's overall responsiveness to energy information requirements and even its ability to provide fundamental data publications. Although the budget does not change the Federal role in gathering, analyzing, and disseminating energy information, it substantially reduces Federal efforts in a number of key areas and has major implications for future program goals and objectives.

For example, the budget reduces EIA's efforts to develop and maintain a capability for forecasting and analyzing energy consumption, production, and price trends. This capability enables EIA to project the effects that energy-related events have on the economy, environment, and particular consumer groups. The budget also reduces

--activities in support of the Emergency Energy Conservation Act that requires EIA to develop a State-level reporting system for certain types of fuel;

--the Oil and Gas Information System, which is to provide information on oil and gas reserves, resources, exploration patterns, and production of the United States and other nations;

--the consumption data program, which is to collect and publish data on residential, commercial and industrial energy consumption together with related information on characteristics of energy-using equipment, firms, and households; and

--the development of the Energy Emergency Management Information System, which is to provide a system to assemble and communicate information needed by Government decisionmakers for dealing with energy emergencies.

Removing legal reporting requirements

Although EIA's budget reductions have been substantial, its fiscal year 1982 budget is $8.5 million more than the administration's final request. Also, EIA has been considering ways to accommodate even greater reductions in the fiscal year 1983 budget for energy information activities. Because many of these activities are mandated by law, the requirements would have to be set aside by specific congressional action.

In May 1981, DOE's Office of General Counsel submitted to the Congress major proposed legislation that would repeal energy information requirements under several laws to enable EIA to reduce costs. The proposed legislation--the EIA Amendments of 1981--is intended to enable EIA to reduce costs and public reporting requirements by (1) allowing EIA to obtain, on a confidential basis, energy information from other Federal agencies, (2) allowing EIA

to protect statistical energy information from disclosures for nonstatistical purposes, and (3) changing or eliminating several major reporting requirements.

The proposed legislation would relieve EIA of responsibilities for the establishment of the Financial Reporting System to provide detailed information on the structure of the energy industry and repeal the requirement that EIA develop a State-level middle distillate monitoring system. EIA estimated that in fiscal year 1982 alone it could save $2.4 million by eliminating the Financial Reporting System and $8.6 million by eliminating the State-level middle distillate monitoring system. EIA also believes that eliminating these systems would remove a high reporting burden on private industry. In addition, the proposed bill would

--make it possible for EIA and other Federal agencies to share energy information to eliminate duplication and burdensome reporting requirements. EIA estimated that this would result in savings of $1.7 million in fiscal year 1982.

--eliminate the requirement that EIA gather information quarterly and produce quarterly reports to the Congress on domestic reserves and production, imports, and inventories of crude oil, residential fuel oil, refined petroleum products, natural gas and coal. EIA estimated that cost avoidance resulting from eliminating the requirement would be $2.6 million in fiscal year 1982.

--eliminate the requirement that EIA develop and maintain a system for tracking and reporting every transaction, sale, exchange, or shipment involving imports of coal and oil. EIA believes that information collected under this system is duplicative of information collected by the Department of the Treasury, and estimated that elimination of the system would save $5 million in fiscal year 1982.

--relieve EIA from having to provide an annual report on coal reserves disclosure. EIA estimated that the annual cost of this report is $50,000 and that full implementation as required by law would raise the cost to $5 million.

The EIA Amendments of 1981 were introduced in the Senate by the Chairman of the Senate Committee on Energy and Natural Resources in May 1981 and in the House by Congressman James Collins, minority member of the House Committee on Energy and Commerce in March 1982. The proposed legislation could be considered by the Congress when deliberating the administration's budget proposal for fiscal year 1983.

Changing the Federal energy role

A transition in the structure, objectives, goals, and priorities of Federal energy information activities also could be brought about by the administration's effort to diminish the Federal energy role and place reliance on a more market-oriented approach for strengthening the Nation's energy posture. The administration's fiscal year 1983 budget request explained that, in general, the Government's energy role should emphasize the establishment of public policies that provide individuals and firms the incentive to produce and use energy efficiently.

The reorganization option proposed by the administration in the budget proposal would transfer to the Department of Commerce EIA's basic responsibilities for carrying out a central, comprehensive, and unified energy data and information program. In our view, it would be essential for the proposed new agency to be independent from the energy policy function. Since its inception, EIA has remained independent and has provided a capability for providing objective information needed to address the Nation's complex energy problems. The DOE Organization Act provides for the administrator to report directly to the Secretary of Energy and stipulates that the administrator is not required to obtain approval for analyzing or publishing information. To maintain this independence a similar provision would be required in new legislation enacted by the Congress.

ROLE OF PROFESSIONAL AUDIT REVIEW TEAM

The Professional Audit Review Team (PART) was formed to review and evaluate EIA's work and to determine whether data collection and analysis activities are being performed in an objective and professional manner consistent with the intent of the Congress. In accordance with the authorizing legislation, PART consists of a Chairman, designated by the Comptroller General of the United States, and members drawn from the following Federal offices or agencies:

--Bureau of the Census
--Bureau of Labor Statistics
--Council of Economic Advisers
--Federal Trade Commission
--Securities and Exchange Commission

The DOE Organization Act provides that PART make an annual professional audit of EIA. PART has issued three reports prior to this report. The PART staff members during the period covered by this report were

--Mr. Edward A. Kratzer, General Accounting Office
--Mr. Frank J. Gross, General Accounting Office
--Mr. Frank Bowers, General Accounting Office
--Ms. Jeanne Fox, General Accounting Office

OBJECTIVES, SCOPE, AND METHODOLOGY

This report describes the results of our evaluation from July 1980 through December 1981. Our review focused on the following aspects of EIA's operations:

--The organizational structure and planning process (Ch. 2.)

--Independence from policy formulation and advocacy functions (Ch. 3.)

--Efforts to determine the relevancy of energy data and publications (Ch. 4.)

--Quality assurance procedures for ensuring the accuracy and credibility of energy information (Ch. 5.)

--The conformance of data publications to statistical standards (Ch. 5.)

We examined EIA policies, procedures, contracts, records, and other documents relating to its operations. We also interviewed EIA officials responsible for program planning, energy models, quality assurance, and relevancy of data and publications. In addition, while attending conferences, symposiums, and committee meetings, we discussed energy data collection, validation, forecasting, and energy modeling matters with energy officials from business, research firms, and educational institutions to obtain the widest possible range of information upon which to base our evaluation of EIA.

During the period covered by our evaluation, EIA's operations and activities continuously have been evolving in response to major budgetary and staffing changes. These changes are continuing as EIA is reacting to further major reductions in its budgetary and staffing levels during fiscal year 1982 and anticipated reductions during fiscal year 1983. Additional modifications to the nature of Federal energy information activities also could be forthcoming as a result of legislation that DOE has proposed to reduce EIA's costs and the respondent burden of its data collection activities, and the administration's plans to dismantle DOE and transfer its functions. While each of these factors has constrained our ability to fully assess the direction of energy information efforts, our report does provide a current perspective on EIA's operational environment and its overall performance.

CHAPTER 2

REORGANIZATION OF EIA AND CHANGES IN ITS PLANNING PROCESS

As EIA continued to expand through fiscal year 1980, it organized its activities and assigned its personnel to reflect its key functional program responsibilities for data collection, applied analysis, and information validation. In line with major budgetary and staffing reductions in each of these areas, in July 1981 EIA reorganized its activities to decentralize some responsibilities and centralize others. EIA believes that its new structure--organized to focus on basic statistics and analyses by fuel type--will help to increase its effectiveness by streamlining functions and providing better coordination among offices. We found, however, that EIA has not assessed the number or types of personnel or skills it needs to carry out its technical responsibilities.

Reductions in its budget also disrupted EIA's planning process. Since its inception, EIA had experienced planning difficulties; however, it was making progress in developing a long-range planning process and annual operating plans. These, however, were not consistent with the administration's views on the role and functions of Federal energy information programs and therefore were not practicable in the decisionmaking process during most of the past year. EIA currently is placing emphasis on formulating a planning process that adequately recognizes its new goals and objectives and provides a coordinated strategy for achieving them.

There was also a change in EIA's top management during the year. In June 1981, the Senate confirmed the nomination of a new EIA Administrator. The Deputy Administrator had served as the Acting Administrator since July 1980.

NEW BUDGET AND STAFFING LEVELS LED TO REORGANIZATION

Organized as a separate entity within DOE, EIA continued to expand its operations from its inception in fiscal year 1978 through fiscal year 1980. During that period, EIA was authorized to spend over $205 million for the development and maintenance of energy information programs and systems. Its budget increased by 85 percent from $49.1 million to $90.7 million, and its initial fiscal year 1982 budget request called for an additional $37 million.

As EIA continued to expand its activities through fiscal year 1980, its functions were performed by major offices which were organized by program areas, including data collection, applied analysis, and validation. The administration believes that as the Nation moves from a regulated energy marketplace to a free-market

approach, there will be a more limited need for data and analyses. In each of the functional areas, the reorientation and retrenchment of EIA's activities already has been pervasive. For example, EIA's efforts to develop new information systems have been delayed or eliminated, existing data collection efforts have been curtailed, analytical studies have been restricted to the most essential energy policy considerations, and major information validation functions have been scaled back to a quality assurance level. The following table shows the extent of these reductions in each of EIA's key functional areas:

Table I
1982 Budget

Function	Initial	Approved	Changes
	millions		
Collection, production, and dissemination	$60.1	$38.9	($21.2)
Applied analysis	15.7	7.7	(8.0)
Information validation	14.1	2.9	(11.2)
Data information services	37.3	29.4	(7.9)
Total	$127.2	$78.9	($48.3)

Personnel levels in EIA have followed a similar pattern. From fiscal year 1978 to fiscal year 1980, EIA's authorized staffing level increased by 22 percent from 744 to 906 positions, and EIA proposed additional increases in fiscal year 1982. However, its staffing has been reduced to an authorized level of 556 full-time, permanent employees, a decrease of more than 38 percent from fiscal year 1980. EIA's proposed fiscal year 1983 budget would further reduce its staffing to 392 full-time, permanent personnel.

In view of its extensive personnel reduction, EIA concluded that it could best meet its responsibilities by dismantling its functional offices and assigning their responsibilities throughout EIA. (EIA's current organization chart is shown in app. I.) EIA believes that this approach will help to increase its effectiveness by streamlining functions and providing better coordination among offices. EIA's major offices currently are

--Office of Statistical Standards
--Office of Oil and Gas
--Office of Coal, Nuclear, Electric and Alternate Fuels
--Office of Energy Markets and End Use

The Office of Statistical Standards, which has been centralized since the reorganization, provides services to data collectors in the areas of survey and statistical design, develops standards and coordinates standard definitions that govern collection and documentation of energy information, and manages a respondent burden control program. The other offices collectively carry out the data collection, analysis, and quality control activities which were performed previously as discrete EIA functions centered in major offices. EIA also currently has three support offices for providing automatic data processing services, public dissemination activities for EIA's information products, and coordination of program planning and evaluation, project control, budgeting, and procurement.

Because EIA has had limited experience working under the current organizational structure, we did not attempt to evaluate the effectiveness or efficiency of the new organizational arrangements. However, we found that, in assigning its staff to the new offices, EIA gave inadequate attention to determining the number or types of skills each office needed.

The technical nature of EIA's mission makes it essential that it is staffed with the proper number and composition of professionals in a variety of specialized areas. The principal types of employees needed are statisticians, economists, operations research analysts, geologists, and data processing specialists. Even though EIA believed it was necessary to reorganize its functions to perform its work more effectively, it was unable to provide information showing how the new structure would be more effective or its rationale for determining the number of specialist positions of each type needed in the individual offices.

The Director of EIA's Planning and Evaluation Division told us that, a few months after the reorganization was effected, EIA's staff was being reallocated among the offices to smooth EIA's workload. EIA's current staffing plan reflects that reallocation; however, EIA still has not performed a study to determine the number and type of disciplines it needs to carry out its specialized responsibilities.

PLANNING DIFFICULTIES HAVE CONTINUED

EIA's planning difficulties have continued in the wake of operational changes resulting from the new administration's views on the need to alter the Federal energy information role. These changes have created an unsettled operational environment that is not unlike EIA's environment when it was instituted 4 years ago. 1/

1/ PART, Activities of the Energy Information Administration, Department of Energy, May 7, 1979.

EIA's first year of existence was marked by many problems associated with consolidating and organizing the agency into an effective and credible source of energy data and analyses. Many of the problems--including lack of progress and direction in activities--could have been prevented or resolved in a shorter timeframe if EIA had provided greater emphasis and priority to the preparation of program plans for each of its organizational units.

While the administration's budget reductions clearly have made it difficult to establish firm goals and objectives, the limited resources available to EIA have intensified the need for strategic planning. Such planning would enable management to concentrate on what is most important and to avoid dissipating resources over too broad a range of activities. Proper planning would also help to ensure that EIA's complex and costly data systems and functions meet their expectations.

During the past 4 years, EIA has made several attempts to implement a comprehensive planning process for setting realistic program priorities, making short- and long-term decisions, and helping to ensure that resources are managed effectively and economically. However, EIA has experienced difficulties in meeting the following planning requirements:

--Active involvement of all levels that would be affected when plans are carried out.

--Establishment of goals, objectives, and priorities, based on legislative requirements, and a coordinated strategy for achieving them.

--Identification and formalization of short- and long-term needs.

--Quantified goals to allow managers to measure progress being made.

--Feedback to top management in a way that links plans and accomplishments.

EIA prepared its first program plan for one of its major offices in August 1978. Although other planning efforts continued, it was not until February 1980--over 2 years after EIA's enacting legislation--that EIA instituted a comprehensive planning process which resulted in a March 1980 plan prepared in accordance with DOE's Planning, Programing, and Budgeting System. The plan established EIA's long-range program priorities for a 5-year period encompassing fiscal years 1982 through 1986.

Although EIA also recognized the importance of developing short-term plans to identify and assign priorities to its specific

projects, efforts, and functions, it did not place adequate emphasis on this part of the planning process. For example, it had not developed program plans for its individual offices when it prepared its initial fiscal year 1982 budget request which was submitted to the Congress in January 1981. In the absence of these short-term plans for its offices, EIA's budget request was based on its more general long-range plan. In effect, EIA relied primarily on its budget process to define and establish its shorter term priorities. While the budget process is a vital part of the planning process and can implement an agency's decisions and provide feedback to management and program officials, it is not an adequate substitute for comprehensive planning.

By the time EIA submitted its revised fiscal year 1982 budget request in October 1981, it had finalized a short-term annual operating plan. EIA obtained the wide participation of its program officials in developing the plan--the first annual operating plan that EIA has developed since its inception. Although the EIA Administrator approved the plan in November 1981, it needs to be revised since it is based on a $70.4 million budget request rather than the $78.9 million budget approved by the Congress. EIA currently is updating this plan to reflect the additional funding provided.

Because the plan was prepared near the end of our review, we did not have time to evaluate its overall adequacy and applicability. We noted, however, that the plan contains the type of information needed to set firm objectives and monitor results. For example, it provides information on the details of the projects of each of EIA's major offices and their priorities. It also provides for monitoring of the projects through an EIA information system being developed to maintain better control over tasks. In addition, EIA has provided its program officials instructions for updating the annual operating plan on a quarterly basis and under energy emergency situations.

Although EIA has made progress in developing its short-term plan, it is still without a plan that is adequate for longer term decisionmaking. As required by DOE's Planning, Programing, and Budgeting System, in March 1981 EIA prepared a 5-year program plan for fiscal years 1983-1987. Because DOE gave EIA only a few weeks to prepare this plan, EIA provided only summary information on its offices and their functions and overall budget and staffing information. The plan does not, for example, specify budgetary or staffing resources that are to be applied to specific programs. In addition, in developing the plan, EIA assumed passage of proposed legislation (the EIA Amendments of 1981). Although enactment of this legislation would substantially reduce EIA's requirements and budgetary needs, the legislation has yet to be deliberated by the Senate and the House of Representatives.

Despite these shortcomings, EIA is attempting to improve its planning and decisionmaking by developing a comprehensive planning, programing, and budgeting process. Through this process, EIA plans to identify both short- and long-term needs, make more timely and systematic assessments of how it can best use its resources, identify serious gaps in its information systems, and determine the impact of potential future modifications to its operations. The comprehensive process is to encompass the following activities:

--Preparation of a multiyear plan, encompassing the short-term and long-term needs.

--Input from EIA office and division directors on resource needs for the next fiscal year.

--Preparation of a budget related to EIA's goals, objectives, program activities, and resource requirements.

--Development of an annual operating plan which reflects the results of the budgetary process.

--Development of a management monitoring system for projects and resources.

--A quarterly evaluation to assess the performance of EIA projects and programs.

While the development of this process should help to overcome many of the previous and current deficiencies we have noted in EIA's planning activities, at the time of our review EIA had not established a schedule or target date for completing the process.

CONCLUSIONS

The redirection of the Federal energy role during the past year has resulted in a fundamental transformation in EIA, both in its structure and its operations. While we do not question EIA's decision that it could best respond to the new operational environment by reorganizing responsibilities for its functions, we believe that EIA gave insufficient attention to the staff requirements of its offices. Assessing the number and types of employees it needs to carry out its specialized functions should allow EIA to better ensure that its services are being effectively and efficiently delivered by each of its offices. It also should enable EIA to assess the impact of any future modifications to its activities and how it can best respond to them, both organizationally and operationally.

Throughout its 4-year history, EIA has not placed adequate emphasis on developing the short- and long-range plans needed for decisionmaking, monitoring and controlling projects, and measuring program results. Although it has been without a

comprehensive plan during the past year, EIA recognizes the importance of sound planning and is working toward the implementation of a planning, programing, and budgeting process to provide adequate direction, control, and oversight for its projects and programs. Given the chronic difficulties that EIA has experienced in the planning area, we believe that the implementation of this process should receive high priority and the attention of top EIA management.

RECOMMENDATIONS

To ensure that each EIA office has the capability to carry out its specialized functions as effectively and efficiently as possible, we recommend that the Administrator, EIA, require the Director, Office of Planning and Resources, to assess the number and types of skills EIA needs to meet its overall requirements and to determine whether staffing allocations to each EIA office are appropriate.

To ensure adequate progress is made in developing a comprehensive planning process, we recommend that the Administrator assign a high priority and adequate resources to implementing such a process. We also recommend that the Administrator set milestones for implementing the process and be provided regular reports on the status of the process.

AGENCY COMMENTS

In commenting on our recommendations concerning EIA's staffing needs (see app. II), EIA said that its staff planning efforts would continue. EIA said that

--it is planning to establish an ombudsman to encourage at the staff level the free flow of information about current staff shortages and future staffing needs, and,

--although the Office of Planning and Resources maintains a staffing plan, no new hiring is contemplated and, therefore, offices responsible for EIA's work would be responsible for giving attention to internal reassignments.

EIA also pointed out that staffing needs were addressed very carefully while planning for EIA's reorganization and that these efforts have continued in EIA's adjustment to its reduction-in-force and attrition. EIA said that discussions were held with all Assistant Administrators and administrative staff to ensure that an optimal staffing plan was achieved. Also, to make changes necessary for accommodating the impact of personnel reductions, staff discussions and negotiations between offices are continuing.

We are aware that EIA gave serious attention to reassigning its staff and is taking additional actions. Nevertheless, EIA's

staffing deliberations and decisions were not based on an assessment of the number and mix of disciplines needed in its program offices. We believe that the need for such an assessment of staffing requirements is especially important in EIA because of the technical nature of its work and the mix of highly specialized professionals needed to perform the work effectively and efficiently.

Also, since the administration's fiscal year 1983 budget calls for additional changes and more limited resources for energy information programs, we believe the need for an assessment of staff requirements under both current and anticipated conditions is particularly important at this time. Because such an assessment should be as consistent as possible in the procedures and approaches used to assess staffing needs for EIA's functions and activities, we believe it could best be performed by a central organization--preferably the Office of Planning and Resources, which has overall responsibility for staffing functions.

With respect to our recommendations for improving EIA's program planning activities, EIA said that comprehensive planning has been and remains a high priority. Among planning improvements mentioned by EIA are

--the implementation of an annual operating plan, which is used for monitoring performance,

--a staff retreat, which is being planned for the Spring of 1982 and will focus on planning beyond the current fiscal year,

--the establishment of a Planning and Policy Review Board in December 1981 to formalize the coordination of planning, and

--weekly meetings of EIA Senior Staff to coordinate on operational issues.

These actions are consistent with the intent of our recommendations. However, EIA expressed several concerns about the matters discussed in the report. For example, the EIA Administrator said that:

> "The assertion at one point in the draft PART report that EIA has relied primarily on its budget process to establish its priorities, while at the same time voicing criticism about basing EIA's budget request on its long-range plan, strikes me as odd."

The central point that we made in connection with the relationship between EIA's planning and budgeting activities is that, in the absence of completed efforts to identify its shorter term needs, projects, and priorities, EIA relied on its more general longer term plan to develop its budget request. As the report noted, EIA recognized the importance of and was attempting to develop shorter term plans for its activities. Such plans would have provided a sound basis for formulating EIA's budget request.

EIA also stated:

"* * * The observation that our current Annual Operating Plan needs updating is correct because it was based on $8 million less than our final appropriation. However, the plan is not irrelevant as suggested because the additional money was provided by Congress in late December to do additional work."

This comment is based on our draft report which stated that EIA's plan is no longer relevant because it reflects a different budget than that provided by the Congress. To clarify our meaning, we have revised this statement to indicate that the plan "needs to be revised since it is based on a $70.4 million budget request rather than the $78.9 million budget approved by the Congress.

In addition, EIA said:

"Extensive planning activities have taken place in EIA which are well documented in a Planning and Evaluation staff paper completed in August 1981.* * **

We reviewed this staff paper during our audit and again after receiving EIA's comments. As EIA indicates, the staff paper points to numerous efforts to enhance EIA's planning activities, and we recognize that EIA has devoted a considerable amount of time and resources to its planning process. However, as our report notes, throughout its history EIA has encountered many difficulties in developing and implementing plans for its programs and activities. These problems continued during our review. This is evidenced by the fact that EIA had neither an approved short- or long-term plan during most of the period covered by our review. As our report indicates, EIA is attempting to improve its planning, and we agree that this area warrants emphasis.

EIA also stated:

"* * * Notification of revised budget guidance from the Office of Management and Budget (OMB) in February 1981, did mean that plans had to be

scaled back, but those plans were neither inconsistent with the previous long-range plan nor a fundamental change in direction with respect to the basic mission of EIA."

We agree that there has been no change in EIA's basic mission, reflected in its plans, to provide objective information, assist other DOE components by providing information and analyses, and serve the public by making credible information readily available. In our view, however, EIA's current plans are not consistent with those reflected in its previous long-range plan, and EIA's earlier direction toward new and expanded information services has been reversed.

For example, prior to February 1982, the proposed budget for EIA's fiscal year 1982 activities was $127.1 million. The revised budget request submitted in February was for $80 million. Much more than a scaling back of activities was involved in the budget request. Among other changes, it included

--deemphasizing long-term forecasting,

--downgrading the data validation function to a quality assurance function,

--eliminating the Financial Reporting System,

--eliminating all activities in support of the Emergency Energy Conservation Act, and

--sharply reducing Energy Emergency Management Information System activities.

The administration's fiscal year 1983 budget proposal for energy information calls for further reductions in these programs.

CHAPTER 3

EIA HAS REMAINED INDEPENDENT AND OBJECTIVE--BUT INTERNAL CONTROLS NEED STRENGTHENING

For the analytical products of EIA to have credibility, EIA must be objective and independent of policy functions and political biases. Under the DOE Organization Act, the responsibility for formulating and advocating national energy policy was separated from the energy data collection and applied analysis function, as originally mandated by the Energy Conservation and Production Act. In accordance with the act, the EIA Administrator is required to use independent judgment in carrying out EIA's missions and is held directly accountable for the quality of EIA's data and analyses. The Administrator is not required to obtain approval of DOE officials in analyzing information or publishing any statistical or forecasting technical report prepared in accordance with law.

In performing our review, we analyzed numerous EIA reports and internal review procedures and attended symposiums and meetings dealing, in part, with the objectivity of EIA's work. Based on our work, we find no reason to question EIA's independence or objectivity. While EIA has maintained its independence, it needs to improve its internal procedures for controlling data analysis requests. This is necessary to ensure that EIA's products clearly describe the assumptions used and that a public record of all requests for analytical services is maintained.

BETTER CONTROLS NEEDED FOR FORECASTS AND ANALYSES

The DOE Organization Act emphasizes the importance of EIA's role in analyzing and forecasting information, including, upon request, making special forecasts and analyses for the general public, the Congress, Government officials, and private consumers. The purpose of these products is to assist Government and non-Government users in understanding energy trends. EIA's analyses and forecasts are prepared on complex, long-term energy trends and the economic impacts on regional and industrial sectors. More special-purpose products also are prepared involving such areas as competition within the energy industries, the capital and financial structure of energy companies, and interfuel substitution. Since its inception, EIA has provided studies and analytical assistance to numerous groups, including the DOE Office of Policy and Evaluation, the State Department, the Central Intelligence Agency, the Interstate Commerce Commission, the Office of Management and Budget, and various congressional committees.

In making its analyses and forecasts of the impact of energy policy alternatives on energy supplies, demand, costs,

and prices, EIA can adjust assumptions used to evaluate a wide range of policy alternatives. This function is highly susceptible to policy influence because the analysis and forecasts are, by nature, conditional. That is, they predict the outcome based on the assumed occurrence of certain events. It is essential, therefore, that EIA's publications maintain a neutral and objective position by highlighting the underlying assumptions used and by clearly describing the products as having been done specifically at a client's request.

Prior to EIA's July 1981 reorganization, the Office of Applied Analysis was responsible for providing credible and objective analytical products, including responsibility for the quality of its written products, forecasts that are an integral part of the analyses, and models that are used to obtain the forecasts. This office followed specific procedures to record the assumptions that requesters wanted incorporated into their forecasts and analyses and to assure that the resultant products indicated that they were prepared at the request of a specific group, office, or institution. In addition, a public record was maintained of all requests for analytical services.

With EIA's reorganization, responsibility for the analysis function was divided among the Offices of (1) Oil and Gas, (2) Coal, Nuclear, Electric and Alternative Fuels, and (3) Energy Markets and End Use. However, we found that, since the reorganization, EIA has not developed a centralized system or effective procedures for approving, recording, and monitoring the status of requests for analyses. In addition, although EIA's three major offices have been given responsibility for performing the analysis requests, they have not collectively maintained adequate information on the analyses. When we reviewed this function in November 1981, only the Office of Energy Markets and End Use was maintaining a system of controls similar to that used by its predecessor, the Office of Applied Analysis. The Office of Oil and Gas did not have documentation on the number of requests that had been received or how many analyses were being performed at that time. The Office of Coal, Nuclear, Electric, and Alternative Fuels had not received any requests for analyses.

Internal controls over analytical services are essential to maintaining EIA's image as a credible and independent source of energy information. The needed controls include a record of all requests for analytical services, the products furnished, and the assumptions on which the products were based. This is important to help assure that EIA--rather than individual EIA analysts--provide analysis results to requestors, that the analyses are performed in a timely manner and the results of analyses systematically are made public, and that all important assumptions and limitations of the analyses are properly described in published reports. A central accountability system for analytical services also is needed to enable EIA and its managers to determine the amount of resources that have been allocated to specific analysis

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projects, assign priorities to existing projects, and effectively plan for future resource requirements.

Our previous reviews of EIA's activities have shown that EIA consistently maintained a public record of all requests for analytical services, the products furnished, and the assumptions on which the products were based. The Director, Office of Planning and Resources, assured us that EIA will continue to maintain a high level of control over this work. However, a project to develop an accountability system for analytical services has not yet been initiated.

REPORTS HAVE BEEN INDEPENDENTLY PREPARED

From July 1980 through June 1981, EIA completed 24 analysis requests. (See app. III for the titles of the reports and their requesters.) The resulting reports were of the following type:

--Nine Analysis Reports. This type of report may describe the results of any one forecast, discuss the details of specific energy issues, or compare alternative forecasts. Analysis Reports may be initiated by EIA staff or they may be requested by individual clients. Three of the reports were prepared in response to DOE requesters; one was mandated by the Powerplant and Industrial Fuels Use Act.

--Six Energy Policy Studies. These studies are prepared for the use of Federal policymakers or planners and involve issues such as Federal pipeline regulation, energy taxation, and Federal support for nuclear power. Each of the studies prepared was in response to a congressional request.

--Nine Service Reports. These reports are similar to analysis reports but are not refined enough to be published. DOE components requested six of the reports; the others were prepared for the Office of Management and Budget, the Nuclear Exchange Corporation, and the Congress.

We analyzed each of the 24 reports for obvious external policy bias and the adequacy of procedures established by EIA to guard against external influence. We found that each report clearly specified the assumptions used and was attributed to its requester. Also, a public record was maintained of all requests, assumptions made in the analyses, and the products furnished.

As previously discussed, since its July 1981 reorganization, EIA has not developed procedures adequate for assuring its analytical reports are free of policy bias or for identifying the reports prepared. At our request, however, EIA provided us with seven reports which were prepared after its reorganization. Our

review of the reports shows that the assumptions used in the analyses were properly stated in each report and each report's requester was identified.

In addition, EIA's procedures for review and clearance of its publications have remained in effect since EIA's reorganization, according to EIA's Office of Planning and Resources. These procedures require that EIA reports be approved by the director of the office which originates the report and reviewed by each of EIA's major offices. Any disagreements that arise concerning material presented in the reports are to be resolved by the Administrator who approves the reports for publication. The Planning and Evaluation Division, Office of Planning and Resources, is responsible for assuring that each EIA report adheres to the internal review procedures. Although these procedures can help to assure the objectivity of EIA's reports, the Office of Planning and Resources was not able to provide documentation showing that EIA's issued reports had been reviewed consistent with the established internal review procedures.

THE 1979 AND 1980 EIA ANNUAL REPORTS TO CONGRESS ARE OBJECTIVE

Since our November 1980 report on EIA's activities, EIA has published its forecast volume of its Annual Report to Congress for both 1979 and 1980. The Annual Report is legislatively required to forecast energy consumption, supply, and prices for the near and distant future. EIA has total responsibility for specifying the assumptions and variables to be adopted for these forecasts.

In its 1979 Annual Report, EIA examined fewer detailed energy scenarios than it did in its 1978 report. Also, it placed more emphasis on possible variations in future world oil prices because EIA believes that the uncertainty surrounding future oil supplies requires that energy projections be made for a wide range of possible oil prices.

The forecast volume of the 1980 report provides comprehensive international and domestic projections for the mid-term and long-term by using various models and forecasting techniques. Also investigated is the sensitivity of projections to key assumptions. Short-term forecasts are not emphasized in the report because, since fiscal year 1980, EIA has been providing national forecasts in its quarterly publication entitled "Short-term Energy Outlook."

In 1980, for the first time, the EIA projections are presented in two companion volumes, a summary volume and the regular Annual Report to Congress. The summary volume, a concise presentation focusing on midterm issues, is directed to those who are not experts in energy issues or forecasting. The regular

volume is more comprehensive in its presentation and is intended for analysts and others interested in the details of the forecasts and in long-term issues. Both volumes are based on scenarios, or descriptions of the future, emphasizing variations in future oil prices. This is the same approach used in the 1979 Annual Report.

Based on our review, the forecast volumes of the 1979 and 1980 Annual Reports are balanced and objective presentations of the types of information needed for decisionmaking. They offer qualified predictions of what is likely to happen under certain stated assumptions or premises and clearly state that the accuracy of the forecasts will be affected by unexpected events and changing conditions. They also caution that appropriate use of the forecasts must be based on a recognition and understanding of the inherent uncertainties in the data.

INDEPENDENT REVIEWS ENHANCE EIA'S OBJECTIVITY

EIA has consistently obtained external review of its work to help it remain objective in carrying out its responsibility for providing credible energy information. In August 1980 and June 1981, EIA sponsored symposiums conducted to obtain a critique of the forecast volume of its Annual Reports for 1979 and 1980. The symposiums were conducted by the University of Maryland and Native American Consultants, Inc., respectively. Findings of the Annual Reports were commented on by energy experts from academia, energy consulting firms, trade associations, energy-producing companies, and State and Federal agencies. The energy experts reviewed and evaluated assumptions, methodologies, forecasts, and conclusions presented in the reports. Several of the energy experts concluded that the size and detailed nature of the forecast volume made it difficult for laymen to understand and suggested a more compact report limited to major aspects of the forecasts. As a result, EIA developed its summary volume for the 1980 Annual Report.

EIA's objectivity was also enhanced by the establishment of a permanent advisory committee--the American Statistical Association's Committee on Energy Statistics. The committee is responsible for

--evaluating energy statistics as they relate to policy analysis and the formation of a comprehensive energy data system,

--promoting the integration of energy statistical programs, and

--reviewing and providing advice on the improvement of forecasting and analytical models, the development of an energy management information system, and the efficiency of various data collection survey methods.

Although the committee will be available to advise all Government agencies on energy statistics, its primary Federal advisory responsibility is to EIA.

From October 1980 to October 1981, the Committee on Energy Statistics held four meetings. Among the topics discussed at the meetings were (1) procedures for determining when EIA should hire contractors to perform its work, (2) the redesign of the weekly petroleum data system, (3) the development of the comprehensive national gas data system, (4) plans for validating energy information, and (5) a data requirements study for energy imports. In each of these and other areas, the committee provided EIA with suggestions and recommendations.

CONCLUSIONS

The independence and objectivity of EIA's activities are essential to providing credible energy information and analysis. Based on our review of analytical products furnished to a variety of requesters and of EIA's 1979 and 1980 Annual Reports to Congress, we find no reason to believe these activities are being affected by energy policy influences. Moreover, EIA's objectivity is enhanced through the expert review and comment it regularly receives through external energy information meetings.

Nevertheless, we believe that EIA's independence and objectivity is jeopardized by the absence of a centralized process for recording and monitoring requests for analytical services. Such a process should include uniform procedures for assuring that all assumptions inherent in EIA's analyses are documented and fairly stated in the resultant written products.

RECOMMENDATIONS

We recommend that the Administrator, EIA, develop and implement a central process and uniform procedures to record the assumptions that requesters want to have incorporated into EIA's forecasts and analyses and to assure that the resultant products clearly describe the requesters' specifications.

AGENCY COMMENTS

The Administrator of EIA agreed with our recommendation and said that an analysis tracking system was being developed by the Office of Planning and Resources and would be implemented in March 1982. He also said that this system will be operated in conjunction with existing systems for tracking information and data services requests. (See app. II.)

CHAPTER 4

GREATER EMPHASIS IS NEEDED IN DETERMINING USEFULNESS OF DATA AND PUBLICATIONS

General requirements for EIA's data are established in numerous ways, including Federal legislation and regulations, requests of the Congress and executive branch agencies, inquiries from private industry and the general public, and numerous energy supply and demand scenarios. For EIA to meet these widespread requirements in a cost-effective manner, it needs to know the specific needs of the current and potential users of its data. Although EIA has conducted several studies involving the use of its data, most of the studies have had serious shortcomings from a user-need standpoint, and little has been accomplished toward developing a systematic approach to identifying the needs of current and potential data users. As a result, EIA may be collecting, analyzing, and disseminating information that is not as useful as it could be and failing to identify and respond to more significant needs.

USER NEEDS SHOULD BE IDENTIFIED

Determining data requirements is the most important step in either developing, expanding, or modifying an information system. If full participation of the system's current and potential users is not obtained, it is likely that the system will not produce complete and otherwise acceptable information for the users. As the respository of the Nation's energy information, EIA's data requirements are massive. In addition to voluminous data systems it inherited from its predecessor agencies, EIA has initiated many new major data collection efforts to advance the work of its predecessors or to respond to new initiatives of the Congress.

For EIA to meet its far-reaching demands effectively at the least possible cost, it needs a systematic approach to identify and establish priorities for energy information needs. To accomplish this, comprehensive user-needs studies should be conducted to determine as precisely as possible the national data needs of the Federal Government, private industry, energy consumers, and the general public.

Determining the usefulness of EIA's diverse data is a time-consuming and difficult task. A representative sample of users is needed to determine the data's understandability, reliability, completeness, and overall usefulness. Some of the key questions that the user-needs studies must answer follow:

--What specific data are needed?
--Who uses the data?
--For what purposes are the data used?
--How detailed should the data be?

--How current should the data be?
--To what extent must the data be verified?

The studies should also indicate the trade-offs which should be considered between timely data and verification and identify areas where EIA could reduce collection efforts through the curtailment of data requests.

The need for comprehensive determinations of data users' needs are well-recognized within the Federal statistical information community. These determinations were strongly supported by the Office of Federal Statistical Policy and Standards, Department of Commerce, which was responsible for developing and coordinating Federal statistical policy until August 1981, when the Office's functions were transferred to the Office of Management and Budget. In March 1978, the Policy and Standards Office issued its Statistical Policy Handbook, which established uniform statistical standards and guidelines for the collection and compilation of statistical data and for the new release and publication of Federal statistics.

In its directive on statistical surveys, the handbook states that, before any other steps are taken, there must be a clear understanding of the survey's precise purpose in terms of information to be collected, hypotheses to be tested, or problems to be solved. The directive stresses that there must be consultation with users to help define the survey's purpose and ensure its maximum usefulness. It points out that users often can make contributions which are helpful in determining the data to be collected, the timing and frequency of repetitive surveys, and the degree of precision needed. In the case of important statistical series, the directive states that user comments should be obtained on the usefulness of the published data by means of questionnaires, advisory committees, or other appropriate means.

In April 1980, the Office of Policy and Standards established the Interagency Committee on Data Access and Use. Twelve Federal agencies, including EIA, nominated representatives to the committee. In March 1981, the Interagency Committee issued a report on the represented agencies' data access activities. The paper stressed that agencies should solicit feedback from their user communities and that formalized user surveys, although rarely used, should become a regular part of statistical agencies' data access programs.

In addition, the need for user involvement is emphasized in numerous General Accounting Office (GAO) reports dealing with management information systems. In a special publication 1/ on

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1/"Lessons Learned About Acquiring Financial Management and Other Information Systems," August 1976.

problems Federal agencies encounter in developing these systems, GAO stated that determining user needs is the first step in initiating or modifying a management information system. The publication concluded that

--system users are in the best position to recognize unsatisfied information requirements and should be encouraged to recommend improvements on a continuous basis,

--accumulated information on user problems should be continuously analyzed and evaluated to provide a basis for prompt decisions on whether to change the system, and

--a priority statement of user needs should be developed to give management a basis for carrying out the agency's program objectives and long-range plans.

LIMITED USER INVOLVEMENT IN DEVELOPMENT OF DATA SYSTEMS

Since many of EIA's data systems were inherited from the Federal Power Commission, the Bureau of Mines, and the Federal Energy Administration, it is not possible to determine the extent of user surveys involved in the development of these systems. Since EIA was established, however, it has received some criticism for failing to place enough emphasis on defining its data needs in developing information systems.

While the following examples are not intended to reflect the overall adequacy of EIA's system development efforts, they illustrate the need to give attention to user requirements in the planning stage of developing information systems.

--In our 1980 report 1/ on EIA's activities, we criticized EIA's system development efforts in connection with its attempts to establish a national energy information system. We pointed out that, although the system's developers had performed an analysis of its legislative requirements to develop system priorities, they did not solicit the formal views of the system's intended users to determine the information that they would hope to obtain from the system.

1/PART, "Activities of the Energy Information Administration," November 13, 1980.

--In a May 1981 report 1/, GAO criticized the development of the Respondent Information System, which was intended to collect, process, and provide financial and operating information reported by energy producers, natural gas pipelines, and electric utilities. GAO's criticism was directed toward the Federal Power Commission for not clearly identifying the needs of the system's potential users. However, we found that EIA also failed to obtain comprehensive information on the users' needs.

--In two reports 2/ issued in 1978, GAO criticized EIA's development of the Financial Reporting System. This system was intended to provide, on a recurring basis, financial and operating performance data on companies in energy-related industries. GAO's principal concern was that EIA had neither adequately defined its data needs nor sufficiently planned the use it would make of the data collected.

EFFORTS TO IMPROVE USEFULNESS OF PRODUCTS HAVE NOT BEEN EFFECTIVE

In the past few years, EIA has initiated several efforts to improve the usefulness of its data and publications. These efforts include (1) surveys using questionnaire cards transmitted with EIA publications to determine the accuracy, timeliness, and responsiveness of individual publications, (2) a broad-based study to determine the EIA forms, data, and publications that are most relevant and to eliminate those that are unneeded, and (3) contracted studies to provide a comprehensive analysis of EIA publications, including recommendations for improving or eliminating EIA products. Despite these efforts, none of the studies or projects provide an incisive assessment of the immediate or future needs of users of EIA data and publications.

Questionnaire surveys

In 1978, EIA contracted with the Computer Sciences Corporation to conduct a one-time survey of recipients of EIA's publication, the "Monthly Energy Review," for July 1978. This publication presently contains 64 tables of energy data; however, the users of the data had no involvement in developing the publication

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1/"Millions Wasted Trying to Develop Major Energy Information System," AFMD-81-40, May 15, 1981.

2/"Improvements Needed in Department of Energy's Effort to Develop a Financial Reporting System," EMD-78-95, July 31, 1978; and letter report on "Financial Reporting System," EMD-78-112, November 1, 1978.

or the data systems related to it. Nor did the contractor's questionnaire deal directly with the data presented in the publication. Instead the questionnaire focused on questions related to the primary sources of the users' energy-related statistics and information on the annual cost of obtaining them.

While most of the questionnaires were sent to Government agencies and employees, members of the petroleum industry were the most active in responding to the questionnaires. As could be anticipated, most of these respondents stated that the publication should provide additional petroleum-related information. However, the EIA official responsible for the study told us that EIA received no detailed information that could be used in determining what the users' specific needs were or what EIA data were relevant to the needs. Also, EIA was not able to provide information showing that the publications had been improved as a result of this survey.

Also in 1978, EIA entered a contract to have the Genasys Corporation conduct user surveys of two other EIA publications. In preparing a questionnaire for the work, the contractor interviewed the individuals who prepared the publications to gain an understanding of their contents. However, the publications' users were not involved in the development of the questionnaire.

Moreover, EIA did not require the contractor to identify all users and potential users of the publications or to categorize priority users and those relying less on EIA data. Nor was the contractor required to have discussions with the users to identify all of their data requirements. The developed questionnaire asked for only general information related to

--whether the publication is used by the questionnaire recipient and others in the same organization,

--the number of times the publication is used,

--whether the recipient uses other publications containing the same or similar information,

--the general categories of use, such as general reference, marketing analysis, and general analysis,

--the general user category, such as the Federal Government or financial institutions, and

--the general type of data used, such as production data.

No information was requested in key areas, such as the purpose for which the data are used and the importance, completeness, usefulness, accuracy, timeliness, or understandability of the data.

Furthermore, EIA was not able to demonstrate that the two surveys resulted in any improvements to the publications.

Relevancy study

In January 1981, EIA initiated a study entitled "Relevancy of EIA Dissemination Systems and EIA Publications." In connection with this study, EIA began surveying its users by placing questionnaires in its Annual Report to Congress and its Energy Information Referral Directory. The purpose of this survey was to determine the usefulness, data needs, and audience of EIA's publications. However, the survey addressed only general questions that are similar to those addressed in EIA's previous questionnaire surveys. For example, the questionnaire included in the 1980 EIA Annual Report to Congress requests information on the users' occupations and general uses of the publication; however, no questions are asked about the specific types of data included in the Annual Report.

The limited use of this type of survey was recognized in a March 1981 EIA report on its relevancy study. In discussing user survey cards, the paper states:

> "It is not clear from the experience of other Federal statistical agencies that specific changes to publications can result from these user survey cards. However, they do give, from our early returns, some insight as to the popularity (or lack of it) by various user audiences."

EIA's relevancy study also provided information on the number of publications printed and sold, publication dissemination activities, and conclusions and recommendations for making EIA publications more relevant and cost-effective. Our review of this study, however, shows that it was primarily a marketing study for publications. Although the study provided a great deal of information on the publications, it did not focus on their usefulness. Nevertheless, the study did identify the need to (1) identify the size and composition of EIA's target audiences, (2) establish a forum to seek advice from outside users of EIA publications, and (3) hold meetings with the principal users of certain categories of EIA publications. It also enabled EIA to identify the most and least popular publications and ways it can improve its publication distribution system.

Similar observations were made by the American Statistical Association's Ad Hoc Committee on Energy Statistics at its May 29, 1981, meeting with EIA. The committee pointed out that of the 27 policy recommendations contained in the study, 22 dealt with problems of format and distribution, 3 addressed the content of the publications, and 2 were somewhat ambiguous and could probably be classified in both areas.

Analysis of publications

EIA has awarded two contracts for a thorough analysis of its electric, coal, and oil publications to improve their usefulness. The first of these contracts, valued at approximately $50,000, was awarded in 1980 to the Maxima Corporation. As a result of its work, the contractor has prepared recommendations for integrating electricity and coal publications to replace several existing publications and for improving coal and electric sections of EIA's "Monthly Energy Review." While these efforts are clearly attempts to better serve the needs of EIA's users, we found that the scope of the contract did not include user surveys to determine their data needs.

A similar contract was awarded in 1981 to Applied Management Sciences, Inc. Under this contract, valued at approximately $72,000, the contractor studied a family of weekly, monthly, quarterly, and annual petroleum publications and prepared a report recommending that 11 existing publications be integrated into 6 new publications. While the contractor considered such things as reader appeal and continuity in the publications, the contract terms did not call for user involvement in the study.

OTHER EIA EFFORTS TO IMPROVE ITS PRODUCTS' USEFULNESS

Aside from its specific efforts aimed at improving the usefulness of data and publications, EIA has initiated several other general efforts which address, to varying degrees, the utility of data collection forms and data systems. These efforts collectively are useful approaches to determining general data requirements, modifying or eliminating individual data systems, improving user access to data, and standardizing data collection efforts. The efforts, however, fall short of identifying specific existing and future data needs, determining and categorizing data users and potential users, and establishing priority data requirements.

EIA has been conducting general reviews of data requirements for the past 3 years. These reviews are to examine (1) the primary information sources for an energy subject area, such as oil and gas reserves and (2) the rationale for determining the degree to which the data requirements should be met by EIA. In its March 1981 "Guidelines and Procedures for the Conduct of a Review of Data Requirements," EIA states that, prior to the creation of EIA, requirements for energy information were not routinely reviewed. EIA states, however, that it is carrying out a program to review the requirements of all major energy information topic areas by 1983.

In our November 1980 report, we pointed out that the information developed in requirements reviews is useful to EIA in planning which systems and forms to validate without duplicating work

already done. We also stated that the specifications resulting from such reviews are planned to enable EIA to focus new and revised data collection efforts precisely on the information required by its users. EIA emphasizes this benefit in its July 1981 final report on a national energy information system which states that "One prerequisite in developing and operating any information system is to identify the data requirements or needs of the system's current and potential users."

EIA's requirements reviews emcompass the following areas:

--A definition of the scope of the review.

--An analysis of pertinent legislation and regulations.

--An assessment of the feasibility of collecting the data, including a cost analysis.

--The preparation of a report presenting the review findings with recommendations for action.

The reviews are also to consider the data needs of EIA's users. According to EIA's procedures for conducting these reviews, EIA is to identify users or potential users of data, determine how information is or would be used, develop specific data needs with a core group of users, and, from a wider group of users, confirm the data needs.

As mentioned previously, in reviewing EIA's approach to user needs studies, we found that specific data needs were not determined. Therefore, we examined EIA's 13 large-scale requirements reviews to determine whether user-needs analyses were performed in connection with the reviews.

While these reviews have documented many basic data requirements, we found that, for the most part, they were not conducted in a manner that would allow EIA to make a realistic assessment of user needs and to determine the capability and limitations of its data systems in meeting these needs. In some requirements reviews, a user-needs analysis was not performed, and in most of the reviews, no attempt was made to select a representative sample of users. For example:

--In reviewing data requirements for petroleum products, EIA held discussions with energy industry representatives to gain an understanding of their operating environment, but no attempt was made to pinpoint the data needs of these or any other current or potential users.

--In reviewing requirements for natural gas and crude oil data, EIA limited its user needs analysis to DOE personnel.

In addition to its requirements reviews, EIA has been taking several other measures which could help to improve the usefulness of its data and publications. These efforts are related to EIA's forms clearance and design functions, the Data Resources Directory, and the establishment of a Data Requirements Review Board.

In performing forms clearance and design functions, EIA analyzes all DOE-proposed information collection projects and consults with the public to identify statistical needs and ensure that data collection surveys do not duplicate other efforts. In connection with this responsibility, EIA attempts to identify improved methods for collecting data and for reducing the reporting burden of respondents.

In improving its energy information systems, EIA has awarded a contract, valued at $1.4 million, for the design, development, demonstration, and maintenance of a Data Resources Directory which is to provide a unified and integrated data base and a computerized software system for retrieving data. The contracted work is scheduled to be completed in March 1982. EIA believes that by organizing and integrating data, the directory will provide information about the data in one central location and facilitate access to it.

Finally, in June 1980, the EIA Administrator established a Data Requirements Review Board to provide early policy and technical review of proposed new energy data systems, modifications to or eliminations of existing systems, and other major data-collection-related issues. The Board advises the EIA Administrator on whether to proceed with a proposal and possible alternatives which should be considered.

CONCLUSIONS

Although EIA recognizes the importance of performing comprehensive assessments of the needs of its current and potential data users, its efforts to conduct user needs studies have not succeeded in identifying the users and their specific data needs. Also, even though EIA's reviews of data requirements provide a good framework for assessing the general needs of data users, they have not been conducted in a way that assures that EIA contacts a representative group of possible data users to obtain their views on the acceptability of data being provided and their recommendations for making improvements. Until EIA comprehensively determines the use and shortcomings of its data and publications, it will not be able to implement its information programs on more than a limited basis.

RECOMMENDATIONS

To improve the usefulness of EIA data and publications, we recommend that the EIA Administrator direct that EIA's current and future data collection and publication efforts take into account the views and suggestions of a representative group of

EIA's current and potential users. To ensure that users' views and suggestions are adequately represented, we recommend that the Administrator stipulate that EIA's user-needs studies build upon past studies and be expanded to identify current and potential users, categorize the priorities of the users, develop methodologies for soliciting input from them, and integrate the results of the various studies.

AGENCY COMMENTS

EIA agreed with our recommendations and said that it is continuing to improve its assessment of user needs and will expand this activity as resources permit. EIA also said that the closer linkage between data collection and data analysis, facilitated by reorganization, has improved the informal communication of user needs. (See app. II.)

CHAPTER 5

QUALITY CONTROL PROCEDURES AND STATISTICAL STANDARDS FOR EIA'S PRODUCTS SHOULD BE STRENGTHENED

Maintaining adequate quality control procedures has been a primary concern of EIA's management since 1977, when EIA was created to provide accurate and credible energy information. Until its July 1981 reorganization, EIA had placed responsibility for quality assurance standards for its energy information in one central office--the Office of Energy Information Validation. Currently, EIA's individual program offices are assigned primary responsibility for quality control. In addition, EIA's new Office of Statistical Standards has general responsibility for developing quality control standards, monitoring compliance with the standards, and evaluating the quality of EIA's products. As of December 1981, this office was making progress in meeting its responsibilities; however, EIA does not have uniform standards for validating its systems or for assessing its models. Further, key procedures and standards are not scheduled to be completed until late 1982.

To a large extent, the quality of EIA's products is dependent on its compliance with statistical reporting standards. Complying with these standards is necessary to ensure that EIA's publications provide sufficient information to allow readers to make informed judgments on how the data should be used and the limitations of the data. Although EIA had developed a set of reporting standards for its publications, our review of several publications shows that the standards are not being consistently followed. As a result, users of EIA's publications have not received adequate information in several key areas, including the design of the survey, quality of the data, and possible errors in the data.

PREVIOUS EFFORTS HAVE NOT ASSURED QUALITY

When EIA was established in October 1977, it immediately recognized the importance of performing high-quality work by centering responsibilities for quality assurance in its Office of Energy Information Validation. This major office was given responsibilities for measuring and documenting the accuracy and quality of data collected, used, and disseminated by EIA and for making EIA generally aware of the need to improve information quality. As an independent major component, the Office of Energy Information Validation maintained general oversight of quality, coordinated with other EIA offices, and reported its recommendations for improvement directly to the EIA Administrator. Nevertheless, our previous evaluations show that EIA was making little progress in determining the accuracy and reliability of energy information.

As we noted in our November 1980 report, EIA had developed a comprehensive program plan for assuring the quality of its products. This plan included validating, by 1986, all of EIA's existing information systems. We reported, however, that the three information system validation efforts completed at the time of our fieldwork did not meet all of their objectives and, because of the limited number of validation studies performed, the accuracy of most information was undetermined.

In our current review, we noted that four additional studies have been issued. However, in the three studies dealing with the joint petroleum reporting system, prime suppliers, and monthly power plants, no quantification of the level of error is provided. In the fourth study, which deals with crude oil entitlements only, a limited quantification of the error level is provided. Therefore, the results of these validation efforts do not enable users of EIA's data to determine whether a specific statistic is unbiased or contains a certain amount of error.

As of December 1981, 33 of EIA's existing 40 information systems had not been validated. Even though EIA is in the process of finalizing four validation studies, its emphasis on this function--which was EIA's first priority in February 1981--has been scaled back drastically. For example, future validation studies will be performed by and at the discretion of individual EIA program offices rather than on a comprehensive basis by EIA personnel specialized in this function. Likewise, the amount of validation work performed in each study will be determined on a case-by-case basis, whereas the Office of Energy Information Validation had planned to perform a complete validation of all existing systems and to update the validations on a 5-year basis. We also noted that EIA had no plans for developing standards or quality control procedures for performing future system validations.

In addition to validating its information systems, EIA has the responsibility for assuring data quality by assessing its models that are used to project energy data. In our November 1980 report, we pointed out that EIA intended to complete these efforts by 1986 but, based on the little progress that had been made, we stated that it was doubtful that the target date could be met. Our current work substantiates that view. As of December 1981, EIA had fully documented only one of its 60 models and had not assessed any of them. Further, EIA has yet to develop standards for assessing the models.

At the time of our last report, responsibilities for developing model assessment standards were assigned to both the Office of Energy Information Validation and the Office of Applied Analysis. To eliminate the potentially duplicative and ineffective situation of having two groups assuming responsibility for these standards, we recommended that the function be assigned to a single office. In line with this recommendation, in July

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1981 EIA assigned the responsibility to its new Division of Quality Assurance, Office of Statistical Standards.

NEED TO DEVELOP QUALITY CONTROL STANDARDS AND PROCEDURES

Although the validation of its energy information had been EIA's top priority, the administration's revised budget proposal for fiscal year 1982--and congressional action on this proposal--were particularly severe in the validation area. For example, EIA's $2.9 million fiscal year 1982 appropriation for validation activities is only about 20 percent of the amount it had requested in the initial budget proposal prepared under the prior administration. In contrast, other EIA programs received about $76 million, or approximately 67 percent of the amount originally requested.

In place of validation efforts, EIA is emphasizing the primary role of its program offices in developing systems of internal control to maintain quality products. In addition, the Office of Statistical Standards was created in July 1981 to develop standards for energy data collection procedures, statistical publications, and documentation of analyses, forecasts, and projections. This office has three divisions, each of which is responsible for one or more forms of quality control. The Division of Statistical Support is responsible for assisting program offices in correcting known problems and improving existing procedures, and the Division of Forms Clearance and Burden Control assures that forms clearance standards are followed. Primary responsibility for quality assurance, however, is placed in the Quality Assurance Division, which is to ensure that EIA's data and analysis standards are met and to assess independently the quality of energy data, analyses, and forecasts.

The Quality Assurance Division's fiscal year 1982 budget for contracts and staff support is $1.5 million. The division has a staff of 14 professional employees. Its functions include:

--developing procedures for and recommending data quality improvements for selected energy data collection systems,

--completing several of the validation studies that were being conducted by the Office of Energy Information Validation, and

--assessing models to ensure their accuracy and credibility and archiving the models to make it possible to transfer them to the public upon request.

The Quality Assurance Division also is to develop and monitor compliance with quality assurance standards, check EIA information by comparing it with information from other sources, maintain a capability to audit the reports of EIA respondents, and evaluate

data and models. In addition, it is to maintain professional contacts with other Government statistical organizations to enhance EIA's technical knowledge and expertise.

Although EIA has clearly defined these organizational responsibilities for quality control functions, our review shows that little has been done to develop and implement needed controls. Further, under EIA's plans as of December 31, 1981, actions to carry out the quality control functions will not be taken for some time. For example, as shown in the following table, several key quality standards and procedures are not scheduled to be developed until late 1982:

TABLE 1

EIA Plan For Developing And Implementing Quality Standards And Procedures

Task	Resources needed		Target completion date
	Staff years	Funding	
Model assessment standards	3.5	$190,000	September 1982
Model documentation standards	1.0	50,000	September 1982
Data standards	1.0	50,000	March 1982
Quality control procedures	2.5	200,000	September 1982

Also, in reviewing the quality control function in major program offices, we were not able to identify any specific quality control procedures in place as of December 31, 1981. While the Office of Oil and Gas had assigned primary responsibility for quality functions to its Data Review and Analysis Branch, we were not able to identify any assignment of responsibility for these functions in the other major program offices. In addition, none of the offices could identify funds that had been designated for use in carrying out quality control activities.

COMPLIANCE WITH STATISTICAL REPORTING STANDARDS SHOULD BE IMPROVED

Although EIA has established standards for its publications, the standards it follows in preparing several key publications vary greatly. While the publications clearly label data, cite

sources of the data, and provide definitions of terms used, they fail to meet several other important EIA standards for publishing energy statistics. For example, descriptions of the survey design provided readers with only a vague understanding of the target population or universe, information on quality control procedures used was either missing or extremely limited, and very little information was presented on possible errors in the data. Improved compliance with statistical standards in these and other areas is needed to ensure that data users are given enough information to evaluate the appropriateness of the data for their intended use.

Standards for the Publication of Energy Statistics

While there is not general agreement among statisticians on standards to be used in reporting statistical data, the Department of Commerce has issued a Statistical Policy Handbook which provides general guidance to Federal agencies. The Handbook states that each statistical agency should develop more detailed standards within the general framework provided by the guidance. EIA has met this responsibility by issuing two sets of standards in the past 3 years and is currently working on the development of new standards. The major areas covered by EIA's statistical standards in effect at the time of our review include

--labeling of data,
--definition of terms,
--description of survey design,
--reliability statement,
--revision of data, and
--review before publication.

The standards also contained a section on table format guidelines and included a checklist to be completed during the review of statistical reports.

In conducting its current work to develop new standards, EIA's Office of Statistical Standards has reviewed the standards developed or being considered by other Federal agencies. Its revised standards, after being approved by the EIA Administrator, are to be enforced by the Director of the Office of Statistical Standards. This office also has responsibility for reviewing all of EIA's publications to ensure that they adhere to the standards.

All Standards Are Not Being Consistently Followed

To determine whether EIA is complying with its statistical reporting standards, we selected for review five EIA publications from the EIA Publications Directories. These publications were

purposely selected to cover a range of types of reports reflecting, to the extent possible, different periods of reporting and different user groups. We selected the following reports:

1. Solar Collector Manufacturing Activity, DOE/EIA-0174.

2. Residential Energy Consumption Survey: 1979-1980 Consumption and Expenditures, DOE/EIA-0207.

3. Weekly Petroleum Status Report, November 7 and 14, 1980, DOE/EIA-0208.

4. Energy Data Report, Gasoline Prices (Preliminary), April 1980, DOE/EIA-0043(80/04).

5. Monthly Energy Review, November 1980, DOE/EIA-0035 (80/11).

In evaluating these reports, we did not review their timeliness. Nor did we have access to the completed checklist EIA prepared in reviewing the publications. We did, however, ensure that our review covered the items included on the checklist.

Our review of the five publications shows that, while EIA is complying with statistical reporting standards in certain key areas, it is failing to meet other important standards--notably those related to describing the design of the survey, providing information on quality control procedures used, and presenting information on possible errors in the data.

The basic data presented in the publications reviewed are well-presented in tabular form. The tables are clear and well-labeled, and the sources of the data are generally clearly indicated. Further, when the data are obtained from a sample survey, the publications present estimates of the sampling errors in reasonable ways. Also, the presence of nonsampling errors is generally mentioned.

Even though many of EIA's reports are based on surveys of complete universes, the reports should include a reliability statement which is intended to provide much more information than the sampling error. For example:

--Response rates for units and items presented should be given.

--Imputation and editing procedures should be spelled out.

--Processing errors should be discussed.

--Sources of response bias and any measurements of it should be included.

However, the publications we reviewed contain no information about the concepts that EIA used in analyzing errors in the data. When the data are obtained from the universe rather than a sample of the universe, little or no information is presented about the error structure of the data. This could leave data users with the mistaken impression that, since no sampling was involved, the data are error-free. For example, very limited information is provided on nonsampling errors, including coverage estimates, amount of imputation, or the effect of possible data processing errors. In addition, revised data are presented without an explanation of the reasons for the revision.

Following are our specific comments on each of the publications reviewed:

Solar Collector Manufacturing Activity

This report provides information on production, sales, and end-use data on trends in solar thermal and photovoltaic module manufacturing. The publication clearly identifies its users as DOE, the Solar Energy Research Institute, solar energy consultants, and solar energy manufacturers.

However, the report does not adequately define the universe of manufacturers surveyed. In the issue of the report which deals with the period from July through December 1980, it is stated that there were 364 solar thermal manufacturers in 1980, but it also states that survey forms were sent to 391 companies identified as known or probable manufacturers or importers of solar thermal collectors. Because the report does not discuss the difference between the universe of companies and the number of companies included in the survey, the reader might assume that some of the companies in the survey were not really manufacturers or went out of business--but the reader has no way of knowing what actually happened. This oversight is repeated when the report states that there were 13 companies in the universe of photovoltaic module manufacturers but indicates that survey forms were sent to 26 probable manufacturers of photovoltaic modules.

The problem is even more confused by the issue of the report dealing with January through June 1981. This report states that there were 249 manufacturers of solar thermal equipment, an increase of one since the second half of 1980. However, EIA's report for the second half of 1980 stated that there were 364 such manufacturers. Regardless of the reason for this difference, the reader of the report cannot determine what the universe is or how well it is covered.

Further, although table 1 of the report shows that the number of manufacturers for 1980 was revised, it does not provide information on why or how the revision was done. Our limited review of other tables in the report shows that they also were

revised without adequate discussion of the revisions. For example, considerable unexplained revisions were made to data on the number of manufacturers by State and the number of solar thermal and photovoltaic module shipments made.

In addition, we identified the following weaknesses in the report appendix on the survey's history and methodology:

--Possible deficiencies in the universe were not discussed.

--Information on followup and editing practices was not provided.

--The method of imputing for nonrespondents was not mentioned.

--Possible limitations of the data were not discussed.

Despite these limitations, the report provides a very helpful glossary that defines several of the terms used in the tables and text. It also provides a copy of the survey form, which enables the user to understand the kind of data requested of companies surveyed.

The overall quality of the report is difficult to assess. While the report is easy to understand, if users make decisions on the basis of data which is subsequently revised, their decisions may be wrong. To reduce the risk to the users, EIA should advise them that substantial revisions of the most current data in the publication frequently take place.

Residential Energy Consumption Survey: 1979-1980 Consumption and Expenditures

The purpose of this report is to present data for household energy consumption and expenditures. The survey on which the report is based was carried out by a contractor--as is clearly stated in an appendix to the report. This appendix is very helpful to users in describing the survey and possible limitations in the data. Especially helpful is the section dealing with minimizing nonresponse to the survey. Not only is the description helpful, but also the efforts made to minimize nonresponse are impressive. In addition, the imputation method for fuel consumption data is clearly described.

The report appendix that deals with the limitation of the data is also very clear and helpful. The method for estimating sampling errors is described, and tables of relative standard errors are provided.

In addition, the text itself is very good. Levels of energy use are followed by a measure of their variability. This enables

users to make quick determinations about the usefulness of the numbers presented.

The report also contains many helpful bar charts illustrating the text statements, and the user can easily find the effect of sampling error on the estimates. As with other EIA publications, a glossary is provided along with copies of the questionnaires.

The overall quality of the report is excellent. It provides information that could be very useful to both sophisticated users and the general public.

Weekly Petroleum Status Report

The purpose of this report is to present weekly data on petroleum products. The data indicate broad trends, such as increases or decreases in demand or production. The publication is a series of tables, preceded by some highlights. It compares data for the current week with the previous week.

In our evaluation of the report, we identified the following weaknesses:

--Almost all data from the previous week have been revised, but nothing is said about the need for and the method of making the revisions.

--The report's description of the data collection and methodology is very brief and leaves many questions unanswered.

--The report states briefly that there are differences between respondents' weekly and monthly reports, but it does not provide an indication of the effect of this on the weekly data.

--In providing information on the estimation procedure used, the report discusses the estimation of projected inventory, but the discussion is abbreviated and of limited use.

In addition, the weekly data are based on a sample of the largest companies, but nothing is said about the universe. Also, using a sample of only the largest companies prevents estimation of sampling error for the universe.

The overall quality of the report depends on the needs of the users. Although a great deal of current useful data is presented, the publication does not discuss the quality of the data, the imputation method used, or the nonresponse to the survey. Very little information is provided on estimation difficulties. Although information on each of these items is not necessary in each weekly publication, an annual companion volume dealing with the items would be of great value to users.

Energy Data Report, Gasoline Prices (Preliminary)

The purpose of this report is to provide monthly statistics on the price of gasoline. The data are clearly described as preliminary data, and a note is provided to indicate that the final prices are to be published in the "Monthly Energy Review." The data are presented at the national level and by DOE region.

Information about estimation techniques and sampling errors at the national level are presented clearly but not completely. Levels of nonresponse are not given, although the number of gasoline stations is shown. In comparing the number of stations reported for two different months, we found that there is some variability in response rate by month--the number of stations reporting in one month was higher in every category than the number reporting in another month. Therefore, it would be helpful for EIA to explain differences in the monthly response rates.

Neither the design of the sample nor its coverage is described. The sample is approximately 8,000 service stations. However, the question of whether they have equal probability of selection is not addressed.

A very brief description of the estimation method, including imputation, is given. The estimated totals on revenue and sales volume are calculated by multiplying the sample totals by a "raising factor," which is the ratio of the number of gasoline stations in the State divided by the number of responding stations in the State. However, the publication does not identify the source of these numbers or specify if the information was updated for new stations and closed stations. Also, the use of this kind of ratio adjustment is valid only if the probability of selection for all stations in the State is identical--an issue not discussed in the publication.

In addition, EIA does not explain why data for certain territories are included with data for States. For example, in a regional estimate of the price of gasoline, the report does not explain why Puerto Rico and the Virgin Islands were included with New York and New Jersey.

The major problem with the publication is that it glosses over some of the technical qualifications of the study. However, the publication clearly presents available information, and its overall quality is good.

Monthly Energy Review

This report is a compendium of energy statistics derived from many different sources. Most of these sources are other EIA publications which are generally cited in the report.

In our evaluation of the November 1980 issue, we found that neither the sample design nor the collection methodology is given for any of the tables or estimates. Also, there is no indication whether the data are based on a sample or the complete universe. It may not be necessary to include this information in a monthly summary report if the information is available in publications cited by the report; however, our limited review of some of the cited publications shows that they also fail to disclose whether the data are based on a sample or the entire universe.

Also, the publication does not provide information on the reliability of the estimates or on nonsampling errors, even though some of the tables say the data were not seasonally adjusted. Some of the tables provide footnotes to indicate that data had been revised, but no details are given on the need for the revisions or the basis for the revisions. Further, some tables give no indication on whether the data were revised.

In addition, while definitions and explanatory notes are provided at the end of the publication, it is difficult to find the meaning of some of the terms used. Columns headed "Production" and "Stocks" sometimes have footnotes stating "see definitions," but neither word appears in the definitions provided.

On the other hand, the publication contains some useful graphic features. Energy consumption patterns are illustrated with bar charts. Some line charts show trends for petroleum production, imports, and stocks.

In general, the publication should better describe the data and provide more information on the quality of the data. However, on balance, it is of a fairly high quality, and its graphic features are particularly well done.

CONCLUSIONS

EIA had planned to ensure the accuracy of its data by placing a high priority on the validation of its information systems and assessment of its models. Even so, little progress had been made toward completing these verifications and, in response to funding reductions, planned efforts have been scaled back. In addition, EIA has not developed standards necessary to ensure that verifications of its systems and models are properly and uniformly performed.

Although EIA has assigned primary responsibilities for quality control functions to its program offices, these offices have not established a quality control program or assigned funding and staff resources necessary to implement quality controls. Further, several key quality assurance standards and procedures are not planned to be completed until late 1982. Because these standards and procedures are essential to EIA's capability to ensure the

integrity and credibility of its products, we believe that priority should be given to their timely completion.

EIA has developed statistical reporting standards necessary to ensure that users of its publications can make informed judgments on the appropriate use and limitations of the publications. Our review shows, however, that EIA is not consistently following these standards. As a result, users of EIA data have insufficient information about the data, including the survey design used in collecting the data, the quality of the data, and limitations on how the data should be used.

RECOMMENDATIONS

We recommend that the EIA Administrator develop and implement standards needed to ensure that EIA's validation of its information systems and assessment of its models are properly performed.

We also recommend that the Administrator expedite the implementation of a comprehensive quality assurance program to ensure the continued credibility of EIA's data. This should include establishing more timely completion dates for developing quality assurance standards and procedures, assigning program offices specific responsibilities for quality control functions and, as necessary, allocating resources to ensure these responsibilities are met.

We also recommend that the Administrator emphasize the importance of adhering to statistical reporting standards in preparing EIA publications and establish an enforcement process to ensure that the standards are followed.

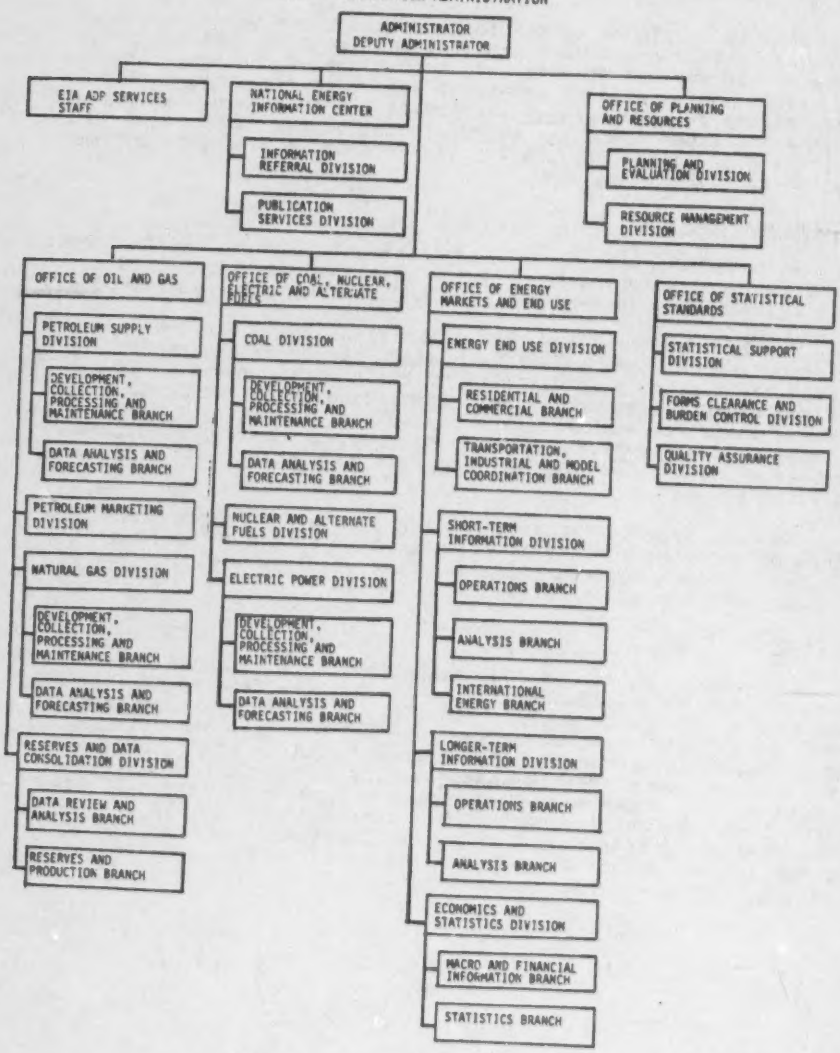
AGENCY COMMENTS

In commenting on our recommendations, EIA said that the Office of Statistical Standards will continue to develop standards and work with line managers responsible for data systems, models, and publications to ensure effective implmentation and maintenance of high-quality products. EIA also said that it will continue to weed out systems which are unnecessarily complex and will improve operating procedures to reduce problems from those sources. EIA maintained that quality control has been and will remain an important primary responsibility of line managers and that the Office of Statistical Standards will provide quality assessment in carrying out its overall responsibilities.

APPENDIX I

APPENDIX I

ENERGY INFORMATION ADMINISTRATION


ADMINISTRATOR
DEPUTY ADMINISTRATOR
EIA ADP SERVICES STAFF
NATIONAL ENERGY INFORMATION CENTER
INFORMATION REFERRAL DIVISION
PUBLICATION SERVICES DIVISION
OFFICE OF PLANNING AND RESOURCES
PLANNING AND EVALUATION DIVISION
RESOURCE MANAGEMENT DIVISION
OFFICE OF OIL AND GAS
PETROLEUM SUPPLY DIVISION
DEVELOPMENT, COLLECTION, PROCESSING AND MAINTENANCE BRANCH
DATA ANALYSIS AND FORECASTING BRANCH
PETROLEUM MARKETING DIVISION
NATURAL GAS DIVISION
DEVELOPMENT, COLLECTION, PROCESSING AND MAINTENANCE BRANCH
DATA ANALYSIS AND FORECASTING BRANCH
RESERVES AND DATA CONSOLIDATION DIVISION
DATA REVIEW AND ANALYSIS BRANCH
RESERVES AND PRODUCTION BRANCH
OFFICE OF COAL, NUCLEAR, ELECTRIC AND ALTERNATE FUELS
COAL DIVISION
DEVELOPMENT, COLLECTION, PROCESSING AND MAINTENANCE BRANCH
DATA ANALYSIS AND FORECASTING BRANCH
NUCLEAR AND ALTERNATE FUELS DIVISION
ELECTRIC POWER DIVISION
DEVELOPMENT, COLLECTION, PROCESSING AND MAINTENANCE BRANCH
DATA ANALYSIS AND FORECASTING BRANCH
OFFICE OF ENERGY MARKETS AND END USE
ENERGY END USE DIVISION
RESIDENTIAL AND COMMERCIAL BRANCH
TRANSPORTATION, INDUSTRIAL AND MODEL COORDINATION BRANCH
SHORT-TERM INFORMATION DIVISION
OPERATIONS BRANCH
ANALYSIS BRANCH
INTERNATIONAL ENERGY BRANCH
LONGER-TERM INFORMATION DIVISION
OPERATIONS BRANCH
ANALYSIS BRANCH
ECONOMICS AND STATISTICS DIVISION
MACRO AND FINANCIAL INFORMATION BRANCH
STATISTICS BRANCH
OFFICE OF STATISTICAL STANDARDS
STATISTICAL SUPPORT DIVISION
FORMS CLEARANCE AND BURDEN CONTROL DIVISION
QUALITY ASSURANCE DIVISION

APPENDIX II

Department of Energy
Washington, D.C. 20585

MAR 2 1982

Mr. Kevin Boland
Chairman, Professional Audit Review Team
General Accounting Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. Boland:

We appreciate the opportunity to respond to the Draft of a Proposed Report: Activities of the Energy Information Administration, Department of Energy, prepared by the Professional Audit Review Team (PART). The draft report focuses on organizational structure and planning, Energy Information Administration's (EIA's) independence, efforts to determine the relevancy of energy information, quality assurance procedures, and conformance to statistical standards. We are pleased that in general you found that EIA is performing well. In areas where you have identified problems we are acting to implement your recommendations, as I shall describe below. We have some comments and suggestions as to technical corrections and presentation, which are enclosed, and we have an important disagreement regarding the report's findings and conclusions in the area of planning.

Chapter 2 of the draft report examines the "Reorganization of EIA and Changes in its Planning Process." PART acknowledges the soundness of "EIA's decision that it could best respond to the new operational environment by reorganizing responsibilities for its functions," and also, that "EIA...is working toward the implementation of a planning, programming, and budgeting process to provide adequate direction, control, and oversight for its projects and programs." However, I disagree with two key conclusions: (1) "that EIA gave insufficient attention to the staff requirements of its offices," and (2) "EIA has not placed adequate emphasis on developing the short- and long-range plans needed for decisionmaking, monitoring, and controlling projects, and measuring program results."

EIA has been confronted with tremendous change over its four years, and particularly in the past year. Planning exists in large part to prepare for contingencies and thus help effect an orderly accommodation of change. I, frankly, have been greatly impressed by EIA's ability to weather the turmoil of major budget cuts and staff reductions without suffering disruption of its production schedules. The simple fact is, EIA was able to go

APPENDIX II

through the transition to a new administration, bring in a new Administrator, reorganize the entire agency, conduct an orderly reduction-in-force, and implement a reduced budget all within the same year while continuing to perform its work in a timely fashion and maintain the quality of its products. That is no small feat, and should indicate that planning has neither been neglected nor insufficient.

The assertion at one point in the draft PART Report that EIA has relied primarily on its budget process to establish its priorities, while at the same time voicing criticism about basing EIA's budget request on its long-range plan, strikes me as odd. The purpose of a long-range plan is to create a framework for budgeting. The actual budget then presents a framework for the allocation of resources in an operational plan. Any other approach is likely to be unrealistic if not unimplementable. The observation that our current Annual Operating Plan needs updating is correct because it was based on $8 million less than our final appropriation. However, the plan is not irrelevant as suggested because the additional money was provided by Congress in late December to do additional work. The plan is now in the process of being updated to reflect this additional work. As a working document, the plan is reviewed and revised on a quarterly basis to accommodate such changes in available funding and other changing priorities.

Extensive planning activities have taken place in EIA which are well documented in a Planning and Evaluation staff paper completed in August 1981. That paper describes much of what occurred from May 12, 1980, through August 7, 1981, including the various meetings, memoranda, and reports. A copy of this paper is enclosed. Notification of revised budget guidance from the Office of Management and Budget (OMB) in February 1981, did mean that plans had to be scaled back, but those new plans were neither inconsistent with the previous long-range plan nor a fundamental change in direction with respect to the basic mission of EIA.

Within the context of planning, staffing and organization play a very large part. EIA did address staffing needs very carefully during the planning for reorganization, and has continued to do so in adjusting to RIF and attrition. This was a lengthy, time-consuming process in which all EIA top management participated. Tentative staffing plans were prepared for each new office by interim Office Directors with the participation of each existing Assistant Administrator. Round-table discussions were then held with all Assistant Administrators and administrative staff to ensure that an optimal staffing plan was achieved with maximum review exposure. Our planned FY 1983 staff levels are lower than our current on-board strength, so that we will continue directing our full attention to this matter, particularly at the Office level where the work must be performed. Although a major reorganization will unavoidably cause temporary problems as personnel are reassigned to areas of their greatest expertise, EIA has effectively minimized such dislocations. Nevertheless, plans must change to accommodate the impact of personnel reductions. We have made and are continuing to make these changes based on staff discussions and negotiations between offices.

I would recommend a reexamination of PART's presentation of Chapter 2. While agreeing with the recommendations, the findings and conclusions are not in accordance with the facts and I would, therefore, recommend a rewriting.

With respect to PART's specific recommendations:

- Staff planning is continuing throughout EIA. We are also planning to establish an ombudsman to encourage the free flow of information at the staff level regarding current staff shortages and future staffing needs. The Office of Planning and Resources (OPR) maintains a staffing plan, but no new hiring is contemplated. Management attention to internal reassignments is, therefore, the primary concern. Responsibility must, therefore, remain with the Offices responsible for the work.

- Comprehensive planning has been and remains a high priority. All planning functions were centralized under the reorganization in the Division of Planning and Evaluation, OPR. The Annual Operating Plan has been implemented and is used for monitoring performance. Further improvements are planned through quarterly reviews. A Staff Retreat being planned for the Spring will focus on planning beyond the current fiscal year in program, analysis, and budget. A Planning and Policy Review Board (PPRB) was established in December to formalize the coordination of planning, and has been meeting every several weeks. OPR will continue to develop, implement, and coordinate the planning process. EIA Senior Staff continue to meet weekly to coordinate on operational issues and raise concerns for further development in other forums.

- An analysis request tracking system is currently under development by the Office of Planning and Resources for implementation in March 1982. This will be operated in conjunction with existing systems for tracking information and data services requests.

- EIA is continuing to improve its assessment of user needs, and will expand this activity as resources permit. Besides those mentioned in the PART Report, specific activities have included:

  - A series of workshops with State energy officials to ask about needs for timeliness, frequency, content, and presentation of energy information for the States.

APPENDIX II

- A symposium held in January 1982, to get user input on the Short-Term Energy Outlook. 400 participants were attracted (250 private and 150 Government) by notices in the Short-Term Energy Outlook, advertisements in trade association publications, and letters to subscribers, to discuss ways of improving the data and the publication.

- A symposium last year and the year before to get user input on the Annual Report to Congress.

The closer linkage between data collection and data analysis facilitated by reorganization also has improved the informal communication of user needs.

- In the areas of validation, quality assurance, and statistical standards the Office of Statistical Standards will continue to develop standards and work with line managers responsible for data systems, models, and publications to ensure effective implementation and the maintenance of high quality products. EIA will continue to weed out systems which are unnecessarily complex and to improve operating procedures to reduce any problems from those sources. Quality control, distinguished from quality assessment, has been and will remain an important primary responsibility of line managers. The Office of Statistical Standards will provide quality assessment in carrying out its overall responsibilities.

Sincerely,

J. Erich Evered
Administrator
Energy Information Administration

Enclosures

APPENDIX III

ANALYTICAL SERVICES PROVIDED BY EIA FROM JULY 1980 THROUGH JUNE 1981

ANALYSIS REPORTS

Report Title	Requester
1. Electric Utilities in the 1970's - Financial Practices and Performance	Internal EIA
2. The Impact of 1980 Scheduled Capacity Additions on Electric Utility Oil Consumption	DOE
3. Replacement Energy Costs in the Residential and Commercial Sector 1985, 1990, and 1995	DOE
4. Financing Increased Coal Production	Mandated by Powerplant and Industrial Fuel Use Act
5. Price Elasticities of Demand for Motor Gasoline and other Petroleum Products	DOE
6. Fuel Choice for Heating New Single Family Houses	EIA
7. Energy Forecasts Through 2010: The Effect of Efficiency Improvements in the Transportation Sector	DOT
8. The Natural Gas Market Under the Natural Gas Policy Act	Congress
9. Middle East-Crude Oil Potential from Known Deposits	Prepared under Foreign Energy Supply Assessment Program of DOE.

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APPENDIX III

ENERGY POLICY STUDIES

Report Title	Requester
1. Federal Pipeline Regulation	Congress
2. Governmental Actions Affecting the Environment and Their Effects on Energy Markets	Congress
3. Energy Taxation: An Analysis of Selected Taxes	Congress
4. Energy Programs/Energy Markets--Overview	Congress
5. Energy Programs/Energy Markets--Technical Papers	Congress
6. Federal Support for Nuclear Power: Reactor Design and the Fuel Cycle	Congress

SERVICE REPORTS

Report Title	Requester
1. An Assessment of a Potential Disruption in Petroleum Supplies	DOE
2. Preliminary 1985, 1990 and 1995 Energy Forecasts for the Annual Report to the Congress, 1980	Internal EIA
3. Household Energy Expenditures: Estimates of Recent Trends	DOE
4. Macroeconomic Effects of a Potential Disruption in Petroleum Supplies 1981-1982	DOE
5. Petroleum Supply Vulnerability 1985 and 1990	Executive Office of the President, OMB
6. 1975 Consumer Expenditures on Energy and Non-Energy Goods	Congress
7. Foreign Nuclear Fuel Cycle Requirements Associated with the Nuclear Power Forecasts of EIA	DOE

APPENDIX III

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SERVICE REPORTS

Report Title	Requester
8. Domestic Nuclear Fuel Cycle Requirements Associated with Nuclear Power Forecasts of EIA	Nuclear Exchange Corporation
9. National Gas Pricing Decontrol Scenarios in the Residential and Commercial Sectors	DOE

Senator WEICKER. Your entire statement will be entered in the record, Mr. Evered. You go ahead and proceed in any way that you wish to proceed.

STATEMENT OF HON. J. ERICH EVERED, ADMINISTRATOR, ENERGY INFORMATION ADMINISTRATION, DEPARTMENT OF ENERGY

Mr. EVERED. Thank you, Mr. Chairman. I am pleased to be here. I appreciate the chairman's remarks with regard to the importance of EIA and our work to the decisionmaking process, not only within Government but in the marketplace as well. I agree with the chairman that for the market approach to energy to work most effectively and efficiently, the availability of information to participants in market transactions is essential.

I would, in view of the fact that my fully prepared statement will be inserted in the record, be pleased to summarize my remarks.

Mr. Chairman, I am pleased to have this opportunity to present the proposed fiscal year 1984 budget request for the Energy Information Administration. The request is for $50.8 million. The purpose of my testimony today is to set forth those goals and objectives that can be accomplished by EIA during fiscal year 1984 within the context of this budget request.

EIA's mission is to produce and provide useful, objective energy information to the executive branch, Congress, State governments, private industry, and the general public so that those who make energy decisions in all sectors of our society have the tools to make those decisions well.

The fiscal year 1984 budget of $50.8 million reflects continuation of most basic energy information programs and activities that were conducted during fiscal 1983. This budget request, like the 1983 budget request, assumes passage of legislation, similar to the Energy Information Administration Amendments of 1981, to repeal certain statutory requirements. Therefore, EIA is again requesting that no funds be provided to carry out those activities proposed for elimination.

Resources to conduct the five programs to be eliminated at their fiscal 1982 level would total approximately $10.8 million.

This budget also reflects transfer to the Federal Energy Regulatory Commission budget of the request for resources to perform information activities in support of the FERC's mission. In fiscal 1984 these activities are estimated to cost $6 million, the same amount as 1983. EIA will conduct these activities upon receipt of reimbursement from the FERC. I must emphasize that the full amount of these funds is needed to maintain the fixed cost of operating the automated data processing facility and the FERC's proportionate share of our multipurpose information surveys.

EIA is making significant progress, Mr. Chairman, in accomplishing its objectives during fiscal 1983. I would like to highlight briefly some of our major accomplishments.

EIA's systems, products and resources fit together in the overall operation of the national energy information system; that is, EIA's integrated data bases and library of information. During the past 2 years, we have reduced the resources required for accomplishing

our objectives from $104 million originally appropriated in 1981 to $56.4 million in 1983.

Many activities have been reduced; some have been eliminated. We are now operating much more efficiently, while continuing to provide basic energy statistics.

We have completed the bulk of the consolidation and streamlining of our publications which was begun 2 years ago. This consolidation and redesign effort has enabled us to reduce costs, improve the timely presentation of statistical series, and make it easier for users to find the information they need.

We have significantly reduced reporting burden by 35 percent during this time period, achieving a total 2-year reduction of 6.2 million person-hours of reporting burden. This far exceeds the goals mandated by the Paperwork Reduction Act. And we expect further progress in this area.

We have also successfully implemented the redesign of the petroleum marketing information system to convert largely regulatory data collections to more efficient, less costly, and less burdensome statistical collections.

In the forecasting area we have both improved and streamlined our short-term forecasting efforts so that the quarterly Short-term Energy Outlook is now available to the public approximately 1 month earlier.

We have also undertaken a series of analytical efforts concentrating on important aspects of the natural gas industry and markets under the Natural Gas Policy Act.

Mr. Chairman, I am pleased to say that all this has been possible largely because EIA is fortunate to have a dedicated, highly motivated professional staff. Attrition appears to be leveling off. And I believe that we have achieved institutional stability.

During fiscal 1984, EIA plans to continue to produce and distribute on schedule the EIA family of energy information products. We will continue to operate basic data collection programs and perform planned timely analyses of relevant energy issues. We will continue to manage the forms clearance process for the entire Department and we will also continue to produce the Department's information collection budget.

We will provide basic support to the FERC on a reimbursable basis, and will provide the executive branch, Congress, State governments, industry, and the public access to the national energy information system, and respond to requests from the White House, Congress, and other Federal agencies for special reports.

To give you a complete understanding of EIA's request, I want to mention items for which we are not requesting funds.

EIA is not requesting funds for those programs from which we are seeking legislative relief, including mid- and long-term forecasting. We are also not requesting funds to conduct certain consumption data survey activities that were funded in the 1983 appropriation.

I would like to take this opportunity to inform the committee that EIA has reexamined the resources likely to be available to us in the future, and, as the chairman has indicated, we have found that we can resume operation of the financial reporting system, or FRS. We are sending the FRS form, EIA 28, to the Office of Man-

agement and Budget for clearance and will shortly thereafter mail the forms to the respondents.

While the fiscal 1983 appropriation is insufficient to permit EIA to conduct all statutorily required programs, mailing the form to respondents now will incur no real expense to EIA. Handling, processing, and analysis of the data will occur during fiscal 1984 when EIA's appropriation is anticipated to be sufficient to cover the expenses of this program as well as the essential core information activities. The House appropriations bill contains a funding increment to cover the FRS. The Senate Appropriations Committee, of course, has not yet acted.

Our decision to take this action has resulted in dismissal of a lawsuit against the Secretary of Energy, myself, and the Director of OMB relative to the FRS program.

My position, indeed my obligation, has always been that I will carry out the mandates of the law to the extent there are sufficient funds to implement the mandate The quandary arises when there are more mandates than there are funds.

The settlement that we proposed and which was accepted permits the initiation of the FRS collection and analysis effort this fiscal year and its completion next fiscal year. Under this framework I anticipated that sufficient funds would be available to implement the FRS mandate.

Mr. Chairman, we continue to urge repeal of the legislative requirement to conduct the financial reporting system. Until such repeal is enacted, however, we intend to comply with the law and will do so to the extent permitted by resources made available to EIA.

Finally, we are postponing quality maintenance investment projects for the second year in a row. The immediate concern is the impact that this delay will have on the quality of EIA's data and analyses. At this resource level, I cannot guarantee that EIA's information products will be of the same quality that EIA has produced in the past. But it is my belief that the taxpayers cannot afford this expenditure at this time. There is competition for extremely scarce resources, as you know, Mr. Chairman, and national priorities must be respected.

I ask that the Congress not add funds for this purpose to EIA's 1984 budget. Other considerations of greater national priority make this justifiable.

It is my judgment that our request for $50.8 million, Mr. Chairman, will enable EIA to continue to fulfill its basic mission in fiscal 1984, and I hope you will give it favorable consideration.

I'd be pleased to respond to your questions.

[The prepared statement of Mr. Evered follows:.]

Statement of J. Erich Evered
Administrator, Energy Information Administration
Department of Energy
Before the
Senate Committee on Energy and Natural Resources
Subcommittee on Energy Conservation and Supply
June 24, 1983

Mr. Chairman, members of the Committee, I am pleased to be here today to present the proposed Fiscal Year 1984 budget for the Energy Information Administration (EIA). This request is for $50.8 million. The purpose of my testimony today is to set forth those goals and objectives that can be accomplished by EIA during Fiscal Year 1984 within the context of this budget request.

EIA's mission is to produce and provide useful, objective energy information to the Executive Branch, Congress, State governments, industry, and the public so that those who make decisions about energy in all sectors of society have the tools to make those decisions well. In order to accomplish this, EIA collects, processes, and interprets energy data and exercises independent judgment in the gathering, analysis, and dissemination of information. In support of this mission, EIA plans to remain the pre-eminent source of national energy statistics and objective energy analysis, providing the reference standard for energy information.

The FY 1984 budget of $50.8 million reflects continuation of most basic energy information programs and activities that were conducted during FY 1983. This budget request, like the 1983 budget request, assumes passage of legislation, similar to the "Energy Information Administration Amendments of 1981," to eliminate certain statutory requirements. Therefore, EIA is not requesting funds to carry out those activities that would be eliminated if legislation similar to the "Energy Information Administration Amendments of 1981" is passed. Our current proposal, the "EIA Reports Reduction Act of 1983" was formally transmitted to Congress April 13, 1983.

This budget also reflects the transfer to the Federal Energy Regulatory Commission (FERC) budget of the request for resources to perform information support activities in support of FERC's mission. In FY 1984 these activities are estimated to cost $6 million, the same amount as 1983. EIA will conduct these activities upon receipt of reimbursement from FERC. The full amount of these funds are needed to maintain the fixed cost of operating the automated data processing (ADP) facility and FERC's proportionate share of multi-purpose surveys.

1983 Objectives and Accomplishments

Before I discuss the specific provisions of the 1984 budget, I would like to spend a few minutes highlighting the details of EIA's objectives and accomplishments during FY 1983. There are several key areas that contribute to the accomplishment of EIA's mission: systems, products, burden, quality, resources, and access. These fit together in the overall operations of the National Energy Information System--that is, all EIA's integrated data bases and library of information. Data and modeling systems are used to produce standard and custom ordered energy information products--statistical, forecasting, and

analysis reports, data tapes, and other information about energy supply, demand, and related social and economic issues. EIA conducts energy information programs in the areas of oil, gas, coal, nuclear, electric power, alternative sources, energy markets, and consumption. Data collections to support data systems in these areas impose a public reporting burden. EIA uses staff, contractor, and computer resources to operate its systems, and to produce its products. The quality of those systems and products can be assured through quality control mechanisms that have been put in place in past years, through quality assessment and validation, and capital investment in quality improvement. I will elaborate on this latter point more thoroughly in my discussion of the 1984 budget. Finally, EIA answers inquiries and provides access to standard energy information through selling and distributing its products.

During the past two years we have reduced the resources required for accomplishing these objectives from $104 million in 1981 to $56.4 million in 1983. Many activities have been reduced; some have been eliminated altogether. We are now operating much more efficiently, while continuing to provide the basic energy statistics that comprise the National Energy Information System.

We have completed the bulk of the consolidation and streamlining of our publications which was begun two years ago. This consolidation and redesign effort has enabled us to reduce costs, to improve the timely presentation of statistical series, and to make it easier for users to find the information they need.

Major consolidation efforts include:

- Electric Power Annual, replacing 2 previous annuals;
- Petroleum Supply Annual, replacing 4 previous annuals;
- Petroleum Supply Monthly, replacing 4 previous monthlies;
- International Energy Annual, replacing 3 previous annuals;
- Natural Gas Monthly, replacing 3 previous annuals;
- Various coal and coke reports, 4 reports replacing 10 previous reports.

We have also accelerated the production schedule of the Petroleum Supply Monthly by over a month, putting the publication in the hands of the subscribers approximately 2 months after the end of the month of reference. The schedules for all publications are being accelerated through the use of computer generated tables and graphs and the application of the latest available automated composition techniques.

We successfully initiated the redesign of the petroleum marketing information system to convert largely regulatory data collections to more efficient, less costly, and less burdensome statistical collections. The new system became operational in January with the first full collection cycle using the new form and systems. This completes the effort we undertook two years ago when we first anticipated the impact of the decontrol of petroleum products on our information systems. After two years of requirements reviews, public hearings, and workshops, we have developed a product that satisfies the information

requirements of data users, while significantly reducing the burden on respondents.

We have significantly reduced reporting burden by 35 percent from the 1980 base burden during this time period, reflecting a total 2 year reduction of 6.2 million person-hours of reporting burden, far exceeding the goals mandated by the Paperwork Reduction Act.

The paperwork review and burden reduction efforts that we have undertaken are implemented in several ways. We are particularly proud of the work done to consolidate multiple data needs in the form EIA-767, "Steam-Electric Plant Air and Water Quality Control Data." This survey is the first multi-agency sponsored form approved by the Office of Management and Budget under the Paperwork Reduction Act, and supports three Department of Energy (DOE) components, the Environmental Protection Agency, and the Commerce Department's Bureau of Economic Analysis. Its design is a result of the concentrated effort to balance individual information requirements with respondent capabilities.

We have published a series of 10 one-time energy consumption reports based upon surveys of the residential, residential transportation, non-residential buildings and industrial sectors. As you are aware, the consumption program produces the only comprehensive information that is available anywhere on energy demand.

We have also accelerated the development of a simplified, efficient modeling system to produce integrated, multi-fuel forecasts through the end of the decade. This system will in part replace the resource-intensive models that were previously used to produce mid-term forecasts. We have both improved and streamlined our short-term forecasting efforts, so that the quarterly Short-Term Energy Outlook is now available to the public approximately one month earlier.

We have undertaken a series of analytical reports concentrating on aspects of the natural gas industry and markets which may be significantly impacted by the scheduled partial deregulation of natural gas under the Natural Gas Policy Act of 1978 (NGPA). The series of studies is entitled "An Analysis of the Natural Gas Policy Act and Several Alternatives." Part I provided a wide variety of information on the current state of the natural gas market. Part II presented the results of a survey of producer/purchaser contract terms providing information on pricing provisions, price escalation clauses and take-or-pay provisions. Part III analyzed the Purchased Gas Adjustment filings (PGA) over recent years of twenty major interstate pipelines. Part IV analyzed the impacts through 1990 of the Natural Gas Policy Act versus selected alternatives to current law. We prepared a series of analyses and presented testimony on the domestic uranium industry for the Senate Energy Research and Development subcommittee. We have also issued timely analyses on several issues facing the electric utility industry, and have testified concerning the impact of various port dredging proposals on coal exports before the House Merchant Marine and Fisheries Committee.

During this time period we have responded to increasing inquiries from the public for energy information and have improved public access to our information through the development of public use computer tapes. We recently became a direct Government Printing Office sales agent, and are now recovering publication costs from most non-Government users. We also completed the development of a Data Resources Directory, an automated data base containing a comprehensive single source inventory and description of individual data elements, data collection forms, survey frame information, definitions of energy terms, and publications.

All of this has been possible largely because EIA is fortunate to have a dedicated, highly motivated professional staff. Attrition appears to be leveling off, and I believe that we have achieved institutional stability. While we have lost some key people, we are now actively recruiting to replace them.

1984 Objectives

During FY 1984, EIA plans to continue to produce and distribute the EIA family of energy information products on schedule. We will continue to operate basic "core" data collection programs and to perform planned timely analyses of relevant energy issues. We will continue to manage the forms clearance process for the entire Department and we will also continue to produce the Department's Information Collection Budget. We will provide basic support to the FERC on a reimbursable basis, and will provide the Executive Branch, Congress, State governments, industry, and the public access to the National Energy Information System, and respond to requests from the White House, Congress, and other Federal agencies for special reports. We will continue to manage EIA programs efficiently, with a minimum of overhead. If legislation similar to the "Energy Information Administration Amendments of 1981" is enacted, we will be able to provide a greater degree of confidentiality for business-submitted information needed for statistical purposes, which will make our operation more efficient, and will reduce respondent burden by allowing EIA to have greater access to other statistical agencies' data.

EIA has proposed legislation, the "EIA Reports Reduction Act of 1983" to eliminate several mandated programs. Included in the proposal are: the Financial Reporting System, mid- and long-term forecasting, the Middle Distillate Monitoring System, the coal exports file, and the Coal Reserves Disclosure System. We continue to support swift enactment of this proposal, and have excluded funds for the affected programs in our FY 1984 request.

In order to give you a complete understanding of EIA's request, I want to mention two items for which we are not requesting funds, along with the reasons for these reductions or eliminations.

First, Congress appropriated additional funds to conduct certain consumption data surveys in FY 1983; EIA is not requesting funds for consumption survey activities in FY 1984. There is no doubt that the information generated by the consumption data surveys is among the most useful that EIA produces. In fact, for some sectors this program is about the only source of information on energy end use and expenditures that exists anywhere, inside government or in the private sector.

While no funds for survey activities are requested, EIA does not intend to discontinue the consumption program in FY 1984. The funds appropriated in FY 1983 will be obligated in FY 1983 and used to conduct surveys in FY 1984. This will generate a great deal of data which will become available for analysis. We have proposed to the Appropriations Committees this course of action in the consumption data collection surveys, and they have approved. EIA will produce a number of interpretive reports during FY 1984 which will examine trends in the area of consumption of energy. There is sufficient money in the FY 1984 budget for this type of activity, but not for a repeat of surveys similar to those conducted with funds appropriated in FY 1983. It is my professional judgment that the consumption of energy in the residential sector and the commercial buildings sector in this country does not change significantly enough in 12 months to warrant the continuation of this level of survey activity every year. I believe that by FY 1985 or 1986, however, it would be appropriate to examine some of these areas once again.

The last issue I want to bring to your attention is that of the quality of EIA's information products. As you know from the budget, EIA is postponing a formal request for quality maintenance investment projects for the second year in a row. While some ongoing quality control and assessment activities will enable us to maintain some minimal level of quality, the capital investments in quality maintenance will not take place. The immediate concern is the impact that this postponement will have on the quality of EIA's data and analyses. I want to be straightforward about this matter. At this resource level, I cannot guarantee that EIA's information products will be of the same quality that EIA has produced in the past. But it is my belief that the taxpayers cannot afford this expenditure at this time. There is a competition for extremely scarce resources, and national priorities must be respected.

EIA will delay these activities for the second year, because I believe it to be in the national interest. It seems reasonable to hold EIA to a constant level in 1984, consistent with the freeze elsewhere in the President's budget. Therefore, I am recommending that the Congress not add funds for this purpose to EIA's 1984 budget. I am simply stating that other considerations of greater national priority make this action justifiable.

It is my judgment that this request will enable EIA to continue to accomplish its basic mission in FY 1984, and I hope you will give it favorable consideration.

I will be happy to answer any questions you may have.

Senator WEICKER. What do you think the basic mission is?

Mr. EVERED. The basic mission of the agency, Mr. Chairman, is to maintain and manage the national energy information system, which I view as the foremost requirement of EIA, to maintain the core information programs to serve the information users in the Government and the public.

Senator WEICKER. And what is the core information system? What does that consist of?

Mr. EVERED. It consists of maintaining the essential data series on reserves, supply, distribution, processing, prices, consumption, imports, exports of the principal energy fuels, analysis of the meaningfulness of the data that are collected and published, and support to policymaking with prospective analyses of the likely outcomes of different policy alternatives in the energy area.

Senator WEICKER. How does that jibe with your getting out of the mid- and long-term forecasting area?

Mr. EVERED. Mid- and long-term forecasting is consistent with the core information program. I consider it part of the core. However, we are not in the position, Mr. Chairman, to conduct all worthwhile and meritorious activities.

In the assignment of priorities and the allocation of resources available to the agency, it was found that maintaining the basic energy statistical series was relatively more important that continuing to produce annually forecasts for the year 2000 and beyond.

Senator WEICKER. In other words, really what you are telling me is that you can supply to me statistical information relative to the energy situation in the United States as of today?

Mr. EVERED. Yes, sir.

Senator WEICKER. Don't you think it's a little bit important that an objective of the agency, if not the prime objective, be to acquire such information, analyze such information as it might affect the future of energy in the United States?

Mr. EVERED. Yes, sir. I consider it an important objective, but not the prime purpose for our being. Were resources available to us sufficient to conduct all of the programs that I consider important, mid- and long-term forecasting would be them.

Senator WEICKER. I mean, I know what I'm going to pay at the gasoline pump today when I drive up to the gasoline station and pay them. I think probably of greater concern to me is what the situation is going to be 6 months from now, a year from now, 10 years from now. And wouldn't that very definitely impact on our energy policies as they are legislated by the Congress and formulated by the executive branch?

Mr. EVERED. Yes, it would.

Senator WEICKER. If we're going to make intelligent choices.

Mr. EVERED. Intelligent choices for the future and forecasts for the future must be based on observations of the energy market in the past and in the present. As long as we continue to provide the basic statistics of what has happened and what is happening, those who can make use of that information to develop their own forecasts of the future can do so. We have monitored the relation of our forecasts to those produced by others in the past and found that they are consistently enveloped, and that the information we

have provided distant future forecasts is no better than that provided by others.

Senator WEICKER. But in terms of credibility, in terms of credibility insofar as the relationship of Congress is concerned and, I might add, the way the law was written and intended in relation to the executive branch, yours is supposed to be an independent analysis of judgments and opinions.

Mr. EVERED. That's correct.

Senator WEICKER. As compared to industry analysts.

Mr. EVERED. That is correct. And therein lies what value there is in EIA's producing outyear forecasts. The stamp of independence, objectivity, and assumed credibility.

Senator WEICKER. Would you agree that the security of our Nation is as much intertwined with our energy status as it is with hardware or economics or any of these other factors?

Mr. EVERED. Yes.

Senator WEICKER. Well, and I realize it's not your position to set policy, but what worries me here is that one, the message goes out from these budget figures that the energy crisis is over; two, that it doesn't really fare well in our national security. What concerns me is that we are still very much in the process of formulating long-range energy policy in this Congress. I don't know what the administration is doing, but I can speak for the Congress. And your very reason for being has come at a time when you are needed, I might add. It is coming down to a barebones type of operation.

I mean, I have to, I have to disagree with these budget requests insofar as the amount is concerned. And it seems to me to be cause for grave concern, or would be to the committee as a whole.

Let me ask you also, you indicate that there is not adequately funding for statutorily required programs. Is that right?

Mr. EVERED. That's correct.

Senator WEICKER. I don't understand that. If it's statutorily required, if it's statutorily required how can there not be the—if that's what the law requires, how can we skirt it by not funding it? I don't understand that.

Mr. EVERED. Mr. Chairman, during the examination of budget priorities across the Federal Government at a time of admitted need to reduce the Federal deficit, the collective judgment of the administration was that funding for these programs should not be provided, and that they should in fact be repealed.

I would not say that we intend to flaunt the law. We proposed the repeal and we urge the repeal of these requirements.

Senator WEICKER. I've got no, I've got no problem with that. I mean, you know, if you're going to repeal then you repeal them. But the law hasn't been repealed, the law's on the books. Is that correct?

Mr. EVERED. That's correct.

Senator WEICKER. And this isn't a matter of discretion, this is a matter of what the law requires. So when you say we're not flaunting the law—you are flaunting the law.

You explain it. I don't care how you explain it. The law has not been repealed. We both know that. The law is on the books. It's not a discretionary law, within the purview of the discretion of the ad-

ministration. I don't understand what it is that's being accomplished.

Mr. EVERED. In our budget request for fiscal 1983 we fully disclosed that we did not intend to fund these activities even though they were required in the law. And simultaneously we proposed their repeal.

Congress had the opportunity to make a clear statement that, indeed, they intended these provisions of law to be fulfulled by the administration by providing the incremental funding necessary to conduct them.

Senator WEICKER. Are you telling me the choice is between Congress—in other words, as Congress was instructed, you either repeal the law or we're going to break the law? Is that right? Is that——

Mr. EVERED. I'm not sure I understand the question.

Senator WEICKER. Well, I mean that's what you just told me. The administration gave the Congress the choice of repealing the law or not fulfilling a requirement to the law.

Mr. EVERED. We proposed in our budget submission that there not be funding for programs which we admitted were required in the law. And through the appropriations process no guidance was provided and no incremental funding was provided to conduct those programs.

Senator WEICKER. Well, now if I understand, you turned back a million last year?

Mr. EVERED. In 1982, yes; a year during which all programs were conducted.

Senator WEICKER. All programs were conducted?

Mr. EVERED. Yes, sir. The appropriation for fiscal 1982 was sufficient——

Senator WEICKER. I suppose what bothers me here, you know, and let's get down to the nitty-gritty, I see a great value in your agency.

Mr. EVERED. Thank you. I do, too.

Senator WEICKER. But I think it's one of these examp—I think it's a clear cut case that the only way that value can be recognized or achieved is if you are adequately funded to do the job. And I see that that's very much lacking in terms of the request. And so what is running through my mind at the present time—and I'd like to have you argue the point with me. I'm not being facetious. I'm not being playful here. I mean what I say. It seems to me either we ought to knock out the agency and all funding, you know, or let's do it right. I'm willing to go either way.

But I'll tell you what I won't do. I won't spend $50 million for appearances sake. I'm not going to do that. That's a big price tag for appearances. If you feel the function can be eliminated, fine. Or, if additional money is needed in terms of doing the job right, fine.

Tell me which way you think we ought to go. That's the purpose of budget, the purpose of oversight hearings. My mind's not made-up.

Mr. EVERED. Mr. Chairman, I agree with you.

Senator WEICKER. Except in the one instance; that's that I will not spend $50 million for appearances. That I won't do.

Mr. EVERED. Mr. Chairman, I agree with you wholeheartedly that if you are going to do the job you need to do it right or not at all. Don't squander *x* amount of dollars just for appearances' sake.

My feeling is that we are doing the basic job at the funding level requested. No bells and whistles, no frills—basic energy statistics and analysis. Not all items required in the law are being conducted. But I submit to you that times have changed. The energy atmosphere has changed. And many of the specifically required activities are no longer needed.

Senator WEICKER. Well, now give us some examples.

Mr. EVERED. The financial reporting system.

Senator WEICKER. And that is what? Explain that now for the record.

Mr. EVERED. The financial reporting system arises from section 205(h) of the Department of Energy Organization Act which requires the EIA Administrator to collect detailed, segmented, line of business, financial and operating information from the major energy companies in U.S. industry.

Senator WEICKER. Why don't you think that's necessary anymore?

Mr. EVERED. I don't see how it's relevant to the establishment of national energy policy and I know of no instance in which it has been used.

Senator WEICKER. Well I'll tell you why. I'll tell you why. Some people feel—and mind you, I've always been a pro decontrol, pro deregulation man, so I'm coming from a position favorable to the industry—some people feel, and I imagine with some justification, that some portion of the blame for having gotten into the energy mess that we were in starting around 1974, was attributable to the energy producers. Some people feel that. And I imagine with some justification.

And so, they said, rather than leave all the statistical information in their hands—and by, I bet you don't even remember the hearings that used to take place as we went through the deregulation, decontrol process, but nobody could get any figures on anything from anybody. That's why this. That's why this.

So I'd like to know why, in light of what's going on right now, as to why this is no longer necessary insofar as having a tool at our disposal, a tool of knowledge, to assure that once again that aspect of the energy situation which are the producers won't screw up to the point of putting this country in jeopardy?

Mr. EVERED. Mr. Chairman, informed people disagree on the matter. It's my judgment that the information is not useful. And I cannot find, in the history of the program, that information collected from 26 out of the thousands of energy companies in this country, at an annual expense to the taxpayer of $2 million, has produced useful and used information in the policymaking process. It's a question of how much information is enough. How much can we afford?

Senator WEICKER. Mr. Evered, is this report accurate? The one that you did put out, do you think it's accurate?

Mr. EVERED. The "Performance Profiles?"

Senator WEICKER. Yes.

Mr. EVERED. Yes, sir. It's accurate information on the scope it covers. I don't know that it's been used for anything.

Senator WEICKER. Well, if it's accurate—and I believe you that it is accurate; I'm not contesting that—then I'm certainly miles ahead of where I was back in 1974, almost 10 years ago, when I couldn't get that information from a credible source. That's why.

Mr. EVERED. The chairman's point that we should do the job right or not at all is precisely manifested in the way in which I approached managing the agency. When faced with reduced funding, as required by Government-wide shrinkage in budget, the approach I took to allocating a shrinking pool of resources was to maintain viability of the essential core programs, and not to prorate resources and do everything we'd done in the past but do it poorly. Rather than that, I have elected to discontinue certain programs to maintain adequate funding for those that are most important. And that's reflected in the agency's budget as a whole.

Senator WEICKER. Mr. Evered, let me say this to you: I don't expect, and don't you try, to carry the general administration fiscal policies on your shoulders. Our meeting here today is on a very specific subject. OK?

Mr. EVERED. Yes, sir.

Senator WEICKER. And let's keep it to that.

Mr. EVERED. Very well.

Senator WEICKER. Otherwise we'll get your opinions on how much we should spend for defense, how much we should spend for education, and then we'll go down the whole list, you know, what the budget deficit should it be or shouldn't be. That's not our purpose. Our purpose is to discuss your agency.

I don't—I'm not interested in the constraints that are placed on you in terms of policy. Or let me put it this way: I think the administration has every right to expect of its Administrators that they are not going to be articulating policy.

On the other hand, no such constraints can take place, as far as I'm concerned, on articulating what the facts are. That's the purpose of appropriations. And the facts are coming out rather clearly, the fact that via the legislation, vis-a-vis the legislation which sets up your agency and requires certain performance standards, those standards are being set aside unilaterally by the executive branch by the funding mechanism, or the lack of funding. That's the best way to describe it.

What other, what other activities aside from the FRS, what other activities are required by law that are not being carried out for lack of funds?

Mr. EVERED. As we discussed, Mr. Chairman, mid- and long-term analysis and forecasting is one.

Senator WEICKER. Mid- and long-term forecasting.

Mr. EVERED. Quarterly reporting——

Senator WEICKER. Do you think that that—let's just go one by one right now. Do you think that has some importance to this committee and to the Congress insofar as the determination of energy policy? I've always said during the course of my entire political career that the good politician, the good elected officials aren't those that react to crisis but rather anticipate it. I think most people would accept that, not just in government, but in business.

And you're no longer in the midterm and long-term forecasting business. Do you feel that still is relevant to my duties and the duties of the Congress?

Mr. EVERED. Yes; I feel it's still relevant. I feel that it is of relatively less importance than accurate data on what is happening.

Senator WEICKER. Well, let's you and I engage in a little bit of that right now, because everybody's sitting here in Fat City as far as gasoline prices are concerned. And at least when I turn on the tube I indicate, it indicates to me they are going to be level this summer. Yet I saw the Consumer Price Index I believe last night which indicated energy prices were starting to climb again, if I'm not mistaken. Correct me if I'm wrong.

Where do you think we're going to be? Where do you think we're going—and I also read where big cars are now becoming the objective of Detroit. So I see all these little bits and pieces out there and I say to myself, you know, are we heading off in the wrong direction right now? Where are we going to be a year from now? Two years from now?

And that's not too far out. I'm not talking about the year 2000. Where are we going to be a year or 2 years from now? Where do you think we're going to be a year, 2 years from now based on what you're—you're far more expert in this area than I am.

Mr. EVERED. I would not claim to be more expert than the chairman——

Senator WEICKER. Well I think you are. I'm not, I'm not, again, I'm not being sarcastic at all.

Mr. EVERED. But it is my job to be informed.

Senator WEICKER. But with the statistics, with the statistics you've got, knowledge you've got, I'm not about ready to get into a battle of the facts. You've got them.

Now I'm asking you, I'm asking, you've got them for the very reason that I and the Congress put you there. Now tell me what you see coming up over the hill here?

Mr. EVERED. Mr. Chairman, for the next 2 or 3 years I expect the world energy situation to be pretty stable. We don't perceive world oil demand rising so fast as to tighten the world oil markets and again enable OPEC to prescribe prices at their whim within the next few years, although the possibility exists for them to do so in the latter part of this decade. I expect to see stable, if perhaps declining, real oil prices for the next 2 or 3, maybe 4 years.

Natural gas is subject to considerable debate on whether existing law will remain in place, whether parties in the marketplace will continue to behave as they have in the past or whether they will change the way they do business. It's hard to say.

I think the recent CPI increases that were reported are the result of short-term fluctuations in gasoline prices and the general pervasive rise in natural gas prices under the Natural Gas Policy Act.

I would remind the chairman that we do continue to produce forecasts of the energy future out 7 or 8 years. So the period we're talking about, we continue to cover. It's the far distant future, 2000, 2010, and 2020, that we have elected to discontinue forecasting.

Senator WEICKER. All right, what other programs are mandated?

Mr. EVERED. Quarterly reporting to the Congress which is redundant with other information that we provide. It's simply a redundancy in the law and the way that we do business. We have proposed that that specific requirement be dropped.

Middle distillate monitoring—middle distillates being petroleum products, the heating oil area. We feel that we are meeting this to the degree necessary for decisionmaking—and the users of the information agree with that—with our existing, newly implemented surveys. However, substantially more geographic detail is required in the law than we feel is in fact needed or warranted, given the expenses it would require. We proposed that that requirement be repealed as well.

Coal reserves disclosure. Detailed coal reserves data by owner in substantially more detail than I'm able to describe here. We feel that given the ample coal reserves in the country, and the fact that production is down because there is insufficient demand to keep all mines in operation, that detailed coal reserves data are not needed and not warranted, considering the expense it would take to fully implement the law.

Finally, detailed coal exports information. We feel that the information we already report is sufficient for policymaking and decisionmaking, and the detail required in the law would not be a useful expenditure of funds.

Senator WEICKER. Have you submitted to this committee your proposed legislative changes?

Mr. EVERED. We have. The administration has submitted it to the Senate and the House. It has not yet been introduced.

Senator WEICKER. Who was it submitted to?

Mr. EVERED. The President of the Senate.

If the chairman has interest in this matter I would urge you to consider the possibility of introducing the legislation yourself.

Senator WEICKER. I have no problem with that. I have no problem with it if indeed we go ahead and upgrade prior legislation to the circumstances of today.

I'll tell you what I'll do. I'll tell you what I'll do. You offered me an opportunity and I accept. I think that's fair enough. It would be irresponsible performance of my duties if I didn't listen to the advice of the executive branch and try to work something out legislatively to your desire. That's the whole purpose of the process. So I'll do that.

Mr. EVERED. I appreciate that.

Senator WEICKER. Now, I'll tell you what I'd like you to do.

Mr. EVERED. Yes?

Senator WEICKER. Why don't you ask for the funding necessary to fulfill the law till you and I change it?

Mr. EVERED. I can give the chairman the assurance that I will identify the funding required to comply fully with all legal requirements of the agency in the internal review budget process in the Department of Energy.

Senator WEICKER. And can you give those figures to the committee?

Mr. EVERED. I am pleased to give the committee any information it needs.

Senator WEICKER. Well, what I'm saying to you is we have a request here for $50.8, is that the figure? $50.4. But that makes certain assumptions, correct?

Mr. EVERED. Yes, sir.

Senator WEICKER. Of not fulfilling the law, right? I want you to give me the figures now as to what will be required to fulfill the law. OK?

Mr. EVERED. I'm willing to do that.

Senator WEICKER. Fine. You give those figures to me, then I will assure you that I will go ahead, work out the legislative changes with you. It might be that we want to, might want to go over some of this and go back and forth on it, but I think you have every right, if indeed there are ways that these things can be contracted and streamlined, I have no problem with that. I have no problem with that.

Mr. EVERED. We'd be pleased to. I'd appreciate it.

[The information follows:]

INSERT FOR THE RECORD
U.S. SENATE
COMMITTEE ON ENERGY AND NATURAL RESOURCES
SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY

June 24, 1983

The "EIA Reports Reduction Act" legislative proposal would repeal six statutory requirements. A description of the programs and their respective costs for implementation in the same manner as they were conducted in 1982 follows. Note that these costs could increase or decrease upon differing interpretations of the statutory requirements, alternative implementation strategies, and other factors.

Requirement	Costs ($000)
Financial Reporting System (42 U.S.C. § 7135(h)) (Detailed financial information concerning major energy producers, describing major financial aspects of each firm related to energy, used for an analysis of the competitive structure of the industry)	$ 2,400
Mid- and Long-term Forecasting (15 U.S.C. §§ 790c(b)(4) and 790f(a)(2)) (Forecasts of energy consumption and supply trends)	5,500
Coal Reserves (42 U.S.C. § 8481) (Annual compilation of reserves estimates primarily from U.S.G.S. and coal producing States)	60
Coal and Petroleum Exports (15 U.S.C. § 784) (U.S. Customs Service data, concerning all export transactions valued over $2,000, by export agent)	40
Middle Distillate Monitoring (42 U.S.C. § 8532)* (State level middle distillate supplies and prices at the wholesale level)	2,700
Quarterly Reporting (15 U.S.C. § 796) (Quarterly publication of energy supply and disposition information)	100
	$10,800

Full compliance with each statute at the specified level of detail would cost an estimated $133 million over five years, as indicated in the "EIA Reports Reduction Act" transmittal (copy attached). The most notable additional detail is the direct annual collection of the volume, productive capacity, and ownership of U.S. coal reserves. With a total coal reserve of up to 300 years, this detail is unwarranted. Similar circumstances surround the remaining sections of the reports reduction proposal.

* This requirement expired July 1, 1983. However, the above costs reflect requirements at the time of introduction of the proposed "EIA Reports Reduction Act" and would be necessary if the legislation were reinstated.

Department of Energy
Washington, D.C. 20585

April 13, 1983

Honorable George Bush
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

Enclosed is proposed legislation "[t]o reduce costs and the public reporting burden of the Energy Information Administration." This proposal is part of the Department of Energy (DOE) legislative program for the 98th Congress. The Office of Management and Budget advises that there is no objection to the presentation of this legislation for the consideration of the Congress and that its enactment would be in accord with the President's program.

Purpose of the Legislation

The purpose of the proposal is to reduce costs and the public reporting burden of the Energy Information Administration (EIA) and thereby further the President's overall program of reducing the Federal budget. The proposal enables the EIA to reduce costs and eliminate burdensome, duplicative public reporting requirements by eliminating several unnecessary reporting requirements.

The bill would amend section 11 of the Energy Supply and Environmental Coordination Act of 1974, Pub. L. No. 93-319, to eliminate the requirement to gather information quarterly and produce reports quarterly for the Congress on domestic reserves and production; imports; and inventories of crude oil, residual fuel oil, refined petroleum products, natural gas, and coal; and report on energy company finances. This amendment is intended to reduce the reporting burden on persons from whom information is obtained and to reduce the administrative burden on the EIA. The reporting of information on a quarterly basis is needlessly detailed and excessively burdensome, as well as duplicative of other EIA data series.

The bill also would repeal several statutory provisions that mandate detailed, expensive, and burdensome reports:

- Repeal of section 25 of the Federal Energy Administration Act of 1974 (15 U.S.C. § 784) (FEA Act) would eliminate a required system for tracking and reporting every transaction, sale, exchange or shipment involving exports of coal and oil. Continuation of the requirement is unjustifiable

because sufficiently detailed data on the export of oil and coal currently is collected by the Department of Commerce and made available to the Energy Information Administration.

- Section 205(h) of the Department of Energy Organization Act (42 U.S.C. § 7135(h)) (DOE Act), which requires establishment of a Financial Reporting System (FRS) containing detailed information on the structure of the energy industry, would be repealed by the bill. The FRS involves a high reporting burden. The availability of related information from other sources within and outside the Government, coupled with the extensive burden associated with the FRS reporting form, justifies the ending of this mandatory requirement.

- Section 801 of the Powerplant and Industrial Fuel Use Act of 1978 (42 U.S.C. § 8481) also would be repealed, in order to eliminate the requirement for an annual report on coal reserves disclosure. The report, to carry out the requirement fully, would entail detailed information gathering at the individual mine level. This expense would be unwarranted, particularly in view of the fact that United States coal reserves are estimated to last in excess of 300 years.

- Section 242 of the Emergency Energy Conservation Act of 1979 (42 U.S.C. § 8532) would be repealed to eliminate the requirement to develop a State-level middle distillate monitoring system. This requirement conflicts with the Administration's intent to direct EIA efforts away from State-level toward national-level reporting.

- Finally, sections 54(b)(4) and 57(a)(2) of the FEA Act (15 U.S.C. §§ 790c.(b)(4) and 790f.(a)(2) respectively) would be amended to modify the requirements for EIA to prepare forecasts of energy consumption and supply trends. The current requirements are overly specific in stipulating mid- and long-term forecasts, and those forecasts prepared by EIA and others in the past have been found to be speculative and unreliable particularly in the long term.

Cost and Budget Data

Continuation of the requirements to be eliminated through enactment of this bill would impose increased budgetary requirements on the DOE of $133 million over the next five fiscal years.

Sincerely,

Eric J. Fygi
Acting General Counsel

Enclosure

A BILL

To reduce costs and the public reporting burden of the Energy Information Administration.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Energy Information Administration Reports Reduction Act".

SEC. 2. Section 11 of the Energy Supply and Environmental Coordination Act of 1974 (15 U.S.C. § 796) is amended --

(a) by striking the last sentence of subsection (a); and

(b) in subsection (c) --

(1) by striking "(1)" immediately following "(c)"; and

(2) by striking paragraphs (2) and (3).

SEC. 3. Section 25 of the Federal Energy Administration Act of 1974 (15 U.S.C. § 784) is repealed, and its catchline is stricken.

SEC. 4. Section 205 of the Department of Energy Organization Act (42 U.S.C. § 7135) is amended by striking subsection (h).

SEC. 5. (a) Section 801 of the Powerplant and Industrial Fuel Use Act of 1978 (42 U.S.C. § 8481) is repealed.

(b) Section 101(b) of the Powerplant and Industrial Fuel Use Act of 1978 (42 U.S.C. § 8301 note) is amended by striking the item in the table of contents relating to section 801.

SEC. 6. (a) Section 242 of the Emergency Energy Conservation Act of 1979 (42 U.S.C. § 8532) is repealed.

(b) Section 101(b) of the Emergency Energy Conservation Act of 1979 (42 U.S.C. § 8501 note) is amended by striking the item in the table of contents relating to section 242.

SEC. 7. Section 54(b)(4) of the Federal Energy Administration Act of 1974 (15 U.S.C. § 790c.(b)(4)) is amended by striking "short- and long-term" preceding "relationships" and inserting "for future periods" following "relationships".

SEC. 8. Section 57(a)(2) of the Federal Energy Administration Act of 1974 (15 U.S.C. § 790f.(a)(2)) is amended by striking "short-, medium-, and long-term" and inserting in its place "a summary of".

SEC. 9. This Act takes effect 30 days after enactment.

Senator WEICKER. All right. Would you explain the purpose of the State of the Data report prepared by your Office of Statistical Standards?

Mr. EVERED. Mr. Chairman, the State of the Data report is an effort on our part to assess within the agency the quality of the data collection systems, the quality of the data reported and published, and the adequacy of quality control procedures. It's a self-policing mechanism that we use to assess the various data systems and series in the agency.

Senator WEICKER. What time period does your last State of the Data report cover?

Mr. EVERED. The last report I recall covered petroleum product and natural gas volumes and prices for the period 1977 through the first part of 1981.

Senator WEICKER. For the second year in a row your budget proposed to forgo quality maintenance activities. How confident are you of EIA's ability to maintain a high level of accuracy in this data without funding?

Mr. EVERED. Not very confident. Again, Mr. Chairman, this is an area in which we proposed funding to help maintain the quality of our statistics and analytical systems. In the collective budget review process for the administration, it was decided that this was an area of lesser priority.

Senator WEICKER. Well, your statement coincides with PART's 1982 report where they say the three information system validation efforts completed did not meet all their objectives and because of the limited number of validation studies performed the accuracy of most information is undetermined.

Mr. EVERED. Mr. Chairman, we are not able to make the investments in maintenance of quality that I would like to do as a prudent Government manager.

The decision was made that we could forgo these for a second year in a row with the expectation that these funds would be available in the next fiscal year to redress the deterioration that will inevitably have taken place.

I would point out that the Secretary of Energy agreed with the need for these investments in fiscal 1984.

Senator WEICKER. The May 1982 PART analysis specifically recommended that the EIA assess the number and types of personnel skills EIA needs. This would appear especially important in the face of recent RIF's. Have you completed such an analysis? And if so, would you make it available to the committee?

Mr. EVERED. At the time the recommendation was made we had undergone a recent reduction in force, were under a hiring freeze, and had little flexibility at all to meet whatever identified needs for personnel might arise. We are now in a different posture. We are stable. We are attempting to hire to replace attrition.

I agree with the need for such an examination of the broad personnel needs. And we'd be happy to provide that to the committee when we have it finalized.

[The information follows:]

An assessment of the number and type of skills needed to conduct EIA's programs will be initiated in October 1983, with commencement of fiscal year 1984 activities.

That review is scheduled for completion in early calendar year 1984 for use in EIA's mid-year review of performance versus plans during the fiscal year.

Senator WEICKER. As you know, the House Energy and Commerce Committee concluded that as of March 31, 1983, EIA had 20 fewer personnel than required by current law. Have these positions been filled?

Mr. EVERED. They are not yet filled, Mr. Chairman. We are doing our dead level best to fill them. I have found it a particular personal frustration, the length of time it takes to process hiring actions in the Federal Government.

As I indicated, we had gone through a 2-year period of reductions in staffing. And I suppose we, as an agency, got out of the habit of hiring to replace attrition. It's taking us longer than I had hoped to get back in that routine.

We intend to maintain the minimum staffing level required to maintain a prudently managed program. It's my opinion that that level coincides very closely with the staffing floor that the Congress established for EIA.

Senator WEICKER. What are we talking about in terms of salary ranges for these 20 positions?

Mr. EVERED. A broad range. They rank from senior executive service professionals and the——

Senator WEICKER. At what level of salary are those?

Mr. EVERED. They would be in the $50,000 to $60,000 range, and they range down to lower level statistical assistants, clerk typists and the like. And many in between.

Senator WEICKER. I have several further questions that will be submitted for the record.

Senator Nickles cannot be present but will have questions for response to the record.

Mr. EVERED. Very well. We'll be pleased to respond.

Senator WEICKER. I thank you very much for your testimony and the hearing is adjourned.

[Whereupon, at 10:15 a.m., the hearing was adjourned.]

APPENDIX

RESPONSES TO ADDITIONAL QUESTIONS

JAMES A. MC CLURE, IDAHO, CHAIRMAN
MARK O. HATFIELD, OREG.
LOWELL P. WEICKER, JR., CONN.
PETE V. DOMENICI, N. MEX.
MALCOLM WALLOP, WYO.
JOHN W. WARNER, VA.
FRANK H. MURKOWSKI, ALASKA
DON NICKLES, OKLA.
CHIC HECHT, NEV.
JOHN H. CHAFEE, R.I.
JOHN HEINZ, PA.
J. BENNETT JOHNSTON, LA.
HENRY M. JACKSON, WASH.
DALE BUMPERS, ARK.
WENDELL H. FORD, KY.
HOWARD M. METZENBAUM, OHIO
SPARK M. MATSUNAGA, HAWAII
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PAUL E. TSONGAS, MASS.
BILL BRADLEY, N.J.
MICHAEL D. MATHIAWAY, STAFF DIRECTOR
CHARLES A. TRABANDT, CHIEF COUNSEL
D. MICHAEL HARVEY, CHIEF COUNSEL FOR THE MINORITY

United States Senate

COMMITTEE ON
ENERGY AND NATURAL RESOURCES
WASHINGTON, D.C. 20510

July 1, 1983

The Honorable J. Erich Evered
Administrator
Energy Information Administration
Washington, D.C. 20585

Dear Mr. Evered:

Attached are questions from various Senators pertaining to the testimony that you presented on June 24 concerning the Administration's proposed budget for FY 1984 for the Energy Information Administration.

Please provide the answers in accordance with the schedule I announced at the hearing. Any inquiries regarding this request should be directed to the attention of Jack Gleason, Professional Staff Member at (224-3794).

Sincerely,

Lowell P. Weicker
Chairman
Subcommittee on Energy
Conservation and Supply

LPW:dlm
Enclosures

24-283 O - 83 - 7

JAMES A. MCCLURE, IDAHO, CHAIRMAN
MARK O. HATFIELD, OREG.
LOWELL P. WEICKER, JR., CONN.
PETE V. DOMENICI, N. MEX.
MALCOLM WALLOP, WYO.
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D. MICHAEL HARVEY, CHIEF COUNSEL FOR THE MINORITY

United States Senate
COMMITTEE ON
ENERGY AND NATURAL RESOURCES
WASHINGTON, D.C. 20510

June 23, 1983

MEMORANDUM

TO: Democratic Members,
Committee on Energy and Natural Resources

FROM: Minority Staff

RE: Questions for Erich Evered; June 24 Hearing

Financial Reporting System

1. I understand that the Department of Energy has entered into a settlement agreement with the Citizen/Labor Energy Coalition, et al, with respect to the litigation in the U.S. District Court over your implementation of the FRS. Please provide the Committee with a copy of this settlement.

2. Do you have any doubts that you are required by section 205(h) of the DOE Organization Act to maintain the FRS unless an Act of Congress repeals this section? If you do have such doubts, please explain the basis for them.

3. Assuming that no such Act of Congress becomes law, what legal force should be assigned to the legislative history of Appropriations Acts in terms of your obligation to maintain the FRS? Please explain your views.

4. Does the settlement with CLEC et al mean that from now on you will comply with the requirements of section 205(h) of the DOE Organization Act?

In particular, will you assign adequate staff and financial support to the FRS program to permit compliance?

Please provide the Committee with your estimate of the staff and funding resources necessary for full compliance.

5. Will you request a budget amendment to fund the FRS for Fiscal Year 1984?

If not, why not?

Are additional funds needed for Fiscal Year 1983?

If so, what do you intend to do to obtain the needed funds?

6. You are quoted in the New York Times of June 23 as follows:

"Frankly, I do not see the value to the consumer, or to anyone, for that matter, of the information generated by the financial reporting system."

Is this quote accurate?

The same article claims that "the consolidated data published by the agency (EIA) are considered by many industry experts to be especially valuable."

Would you please explain in more detail why you consider FRS data to be without value?

EIA Mandatory Functions

1. On May 23, 1983, DOE General Counsel, Theodore Garrish, wrote to Senator Johnston describing a review of EIA's implementation of programs under the laws affecting EIA. Some of these programs are discretionary and some, like the FRS, are mandatory. A copy of the Garrish letter is attached.

Please provide the Committee with a copy of the results of this review, including all the answers, categorizations, determinations and so forth mentioned in the "analytical framework" attached to the Garrish letter.

Natural Gas Markets

1. On May 18, 1983, EIA sent to the printer Part IV of The Natural Gas Market Through 1990: An Analysis of the Natural Gas Policy Act (NGPA) and Several Alternatives. On May 19, 1983, a memorandum strongly attacking this study written by Jan Mares, DOE Assistant Secretary for Policy, Planning and Analysis. A copy of the Mares memorandum is attached.

Please provide the Committee with a point-by-point analysis of this memorandum, including your views as to the validity of each of the criticisms of the Part IV study contained in the memorandum.

2. The Committee has had a number of informal communications suggesting that a substantial supply response may in fact result from the decontrol of "old" natural gas (natural gas production permanently under price controls under the Natural Gas Policy Act).

Please provide the Committee with your estimates of the increased reserves and productive capacity likely to result from the decontrol of old gas as proposed under the administration's natural gas bill, S.615, and as proposed by the Chairman, Senator Johnston, and Senator Ford (phased decontrol over 36 months).

3. Please provide the Committee with your estimates of the available supplies of natural gas from domestic production and the demand for natural gas in the U.S. interstate and intrastate markets for each year through 1990. Please discuss the liklihood that a shortage of natural gas may arise in these markets in any of these years. What would be the main reasons why a shortage is likely or unlikely to occur in any of these markets in any of these years?

4. Please describe your present and projected ability to analyze developments in the U.S. intrastate market. At an earlier hearing, Secretary Hodel indicated that the Department intended to increase its ability to comment on this market. What have you done in this area?

Werkel

Questions for J. Erich Evered, Administrator, Energy Information Administration

(1) In your prepared statement you say that EIA is not requesting funds to carry out those activities that would be eliminated if legislation similar to the "Energy Information Administration Amendments of 1981" is enacted. What chance do you think that legislation has of being enacted this year? If it isn't enacted, how will you carry out those required activities if you have not requested any funds for them? Please provide the Committee with an itemized list of the required activities for which you are not requesting funding and the funding that would be necessary to carry each out.

(2) On page 2 of your statement you say that in reducing your budget from $104 million in 1981 to $56.4 million in 1983 you have eliminated some activities. Please provide the Committee with a list of the activities you have abolished.

(3) You note in your statement that EIA is postponing a request for quality maintenance investment projects for the second year in a row. Would you elaborate as to what you mean by a quality maintenance investment project?

(4) You say that EIA's information products may not be of the same quality that EIA produced in the past because your budget request does not include funds for quality maintenance investment projects. How would this reduction in quality be manifested? How long can you go postponing funding requests for these projects before funding these projects becomes essential? Will we face large budget requests for this purpose then?

(5) Please provide the Committee with a list of the quality maintenance investment projects which you have postponed and the respective funding necessary for each.

(6) In the 1982 Performance Evaluation of the Energy Information Administration by the Professional Audit Review Team (PART) the PART said that EIA had been responsive to all but one of their recommendations. That one exception was the recommendation to, "Require the Director, Office of Planning and Resources, to assess the number and types of skills EIA needs to meet its overall requirements and to determine whether staffing allocations to each EIA office are appropriate." What have you done in the past year with regard to this recommendation?

(7) The recent AST-4 exercise has highlighted the need for U.S. preparedness to meet any future oil shortfall. If an oil shortage occurs in the future, can you assure us that we will have certified data from all the relevant firms on what oil is in fact coming to the U.S. at any given time?

DON NICKLES
OKLAHOMA

United States Senate

WASHINGTON, D.C. 20510

COMMITTEE:
ENERGY AND NATURAL RESOURCES
LABOR AND HUMAN RESOURCES
SMALL BUSINESS

July 6, 1983

MEMORANDUM

TO: The Honorable J. Erich Evered
Administrator, EIA

FROM: Senator Don Nickles

RE: Questions for the record of the June 24, 1983 hearing

1. There has been some criticism that several of the assumptions used in the EIA model for natural gas are 12 to 18 months out of date. What are some of the assumptions that EIA has used in developing its natural gas model? Do these models reflect the most recent market conditions? For example, does the EIA model reflect the recent development of gas spot market, with its attendant consequences for natural gas prices? If not, why not?

2. To what extent do these models take into account recent proposals discussed in the various natural gas legislative initiatives now under consideration in Congress? For example, how does the EIA modeling work take into account the prospects for contract renegotiations in the near-term and over the last six months? Do these assumptions accurately reflect current business practices? If so, please justify.

3. How sensitive are the results of various gas models to changes in assumptions? In particular, how do these assumptions affect various natural gas supply and production estimates? How can you account for the wide range in gas prices predicted as a result of the Administration's proposal under the EIA model and the Policy Office Projections?

4. Why does EIA in its recent study project more gas demand in 1985 (3.2 Tcf) and 1990 (2.0 Tcf) than EIA did in its 1983 gas study? What factor does fuel-switching play in making these projections? How do these projections for fuel-switching relate to today's conditions and what might be expected in the future in light of today's conditions?

5. How sensitive are natural gas projections to various world oil price projections? For example, several recent projections have suggested that world oil prices may begin to rise again in 1985. What impacts on natural gas prices might result if these projections turn out to be wrong, which has also been suggested by several other recent oil company forecasts?

6. EIA assumed that no significant movements of gas would result from so-called contract carriage arrangements. However FERC has just recently issued a final rule authorizing a 5¢ per mcf incentive to encourage such movements. This proposal had been under study for some time at FERC and was adopted by a vote of 4-1 (Chairman Butler voted "no"; preferring a "stick" approach rather than the "carrot" approach). Did EIA staff consult with FERC staff?

JAMES A. McCLURE, IDAHO, CHAIRMAN
MARK O. HATFIELD, OREG.
LOWELL P. WEICKER, JR., CONN.
PETE V. DOMENICI, N. MEX.
MALCOLM WALLOP, WYO.
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CHARLES A. TRABANDT, CHIEF COUNSEL
D. MICHAEL HARVEY, CHIEF COUNSEL FOR THE MINORITY

United States Senate
COMMITTEE ON
ENERGY AND NATURAL RESOURCES
WASHINGTON, D.C. 20510

July 12, 1983

The Honorable J. Erich Evered
Administrator
Energy Information Administration
Washington, D.C. 20585

Dear Mr. Evered:

Attached are some additional questions for the June 24 hearing record concerning the Administration's proposed budget for FY 1984 for the Energy Information Administration.

The responses to these questions should be submitted to the Committee along with the questions transmitted to you on July 1. Please contact Jack Gleason, Professional Staff Member at (224-2366) with any inquiries regarding this request.

Sincerely,

Lowell P. Weicker
Chairman
Subcommittee on Energy
Conservation and Supply

LPW:dlm
Enclosures

USEFULNESS OF DATA TO END USERS

1. MR. EVERED, IN THE PAST, EIA HAS BEEN CRITICIZED BECAUSE SOME OF ITS STUDIES DID NOT TAKE INTO CONSIDERATION END-USERS' NEEDS FOR DATA. WHAT SPECIFIC STEPS HAVE YOU TAKEN TO ENSURE CLOSER CONSULTATION WITH YOUR END USERS?

EIA LONG-RANGE PLANNING

1. PART NOTED IN ITS MAY 1982 REPORT THAT EIA HAD EXPERIENCED "CHRONIC DIFFICULTIES . . . IN THE PLANNING AREA" AT THE TIME OF THE 1982 REPORT, EIA HAD NEITHER AN APPROVED SHORT-TERM OR LONG-TERM PLAN. WHAT IS THE STATUS OF THESE PLANS TODAY?

Department of Energy
Washington, D.C. 20585

July 26, 1983

Honorable Lowell P. Weicker, Jr.
Chairman, Subcommittee on Energy
Conservation and Supply
Committee on Energy and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Enclosed are answers to the questions you submitted in your letters dated July 1 and 12 to Administrator J. Erich Evered following his testimony on June 24, 1983, concerning the Administration's proposed budget for FY 1984 for the Energy Information Administration.

If you have any questions, please call Hank Edler or Tom Pretorius of my staff on 252-4277. They will be happy to assist you.

Sincerely,

for Thomas H. Pretorius

Robert G. Rabben
Assistant General Counsel
for Legislation

Enclosure

cc: Mr. Al Astrin
Committee Staff

MINORITY STAFF

Financial Reporting System

Question 1: I understand that the Department of Energy has entered into a settlement agreement with the Citizen/Labor Energy Coalition, et al, with respect to the litigation in the U.S. District Court over your implementation of the FRS. Please provide the Committee with a copy of this settlement.

Answer: A copy of the settlement agreement is attached.

Question 2: Do you have any doubts that you are required by section 205(h) of the DOE Organization Act to maintain the FRS unless an Act of Congress repeals this section? If you do have such doubts, please explain the basis for them.

Answer: I recognize the requirement to carry out mandatory programs, including the Financial Reporting System (FRS), provided adequate funding is made available through the appropriation process. Should resources be insufficient to meet all mandates, some accommodation among the mandates must be made to avoid a violation of the Anti-Deficiency Act.

Question 3: Assuming that no such Act of Congress becomes law, what legal force should be assigned to the legislative history of Appropriations Acts in terms of your obligation to maintain the FRS? Please explain your views.

Answer: It is my understanding that when Congress appropriates funds on a lump-sum basis without setting forth in an appropriation act direction as to their use, expressions in Committee reports to the act as to the use of the lump sum appropriation are not binding, as a matter of law, on agencies. In practice, such expressions are normally not disregarded by agencies, and are treated with importance accorded to co-equal branches of Government. I do not intend to depart from this practice.

Question 4: Does the settlement with CLEC et al mean that from now on you will comply with the requirements of section 205(h) of the DOE Organization Act? In particular, will you assign adequate staff and financial support to the FRS program to permit compliance? Please provide the Committee with your estimate of the staff and funding resources necessary for full compliance.

Answer: We fully intend to comply with Section 205(h) of the DOE Organization Act, assuming adequate funding is available. We estimate that this program will require 8 staff and $1.0 million per cycle.

Question 5: Will you request a budget amendment to fund the FRS for Fiscal Year 1984? If not, why not? Are additional funds needed for Fiscal Year 1983? If so, what do you intend to do to obtain the needed funds?

Answer: At this time I do not plan to request a budget amendment to fund FRS, as there are strong indications that additional funds will be added during the congressional review of the FY 1984 budget request. FY 1983 costs which include obtaining Office of Management and Budget (OMB) approval of the reporting form and mailing it to respondents, are minimal. The cost of processing responses and preparing the resultant analytical reports will occur in FY 1984.

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

CITIZEN/LABOR ENERGY COALITION, et al., Plaintiffs,	)	
v.	)	Civil Action No. 83-1582
DONALD R. HODEL, Secretary of Energy, et al., Defendants.	)	

SETTLEMENT AGREEMENT

The parties, by and through their counsel, do hereby agree and settle this litigation as follows:

1. The Energy Information Administration (EIA) will immediately submit its 1981 Financial Reporting System (FRS) Form with technical modifications to the Office of Management and Budget for clearance pursuant to the Paperwork Reduction Act of 1980, 44 U.S.C. Chapter 35, to be used as its 1982 FRS Form.

2. The 1982 FRS Form will be sent to the designated energy producers within 30 days of the submission of the form to OMB, or as soon thereafter as possible.

3. The FRS Form will be sent to the designated energy producers advising them to submit the 1982 FRS data to the EIA, U.S. Department of Energy, by December 15, 1983.

4. The action will be dismissed concurrently with the execution of this Settlement Agreement. Such dismissal is without prejudice.

Agreed to this 22 day of June, 1983.

Herman Schwartz, Esq.
Robert Dinerstein, Esq.
4400 Massachusetts Avenue, N.W.
Washington, D.C. 20016
(202) 686-2625

Jack A. Blum, Esq.
1015 18th Street, N.W.
Washington, D.C. 20036
(202) 857-0220

Attorneys for Plaintiffs

Elisa B. Vela, Esq.
United States Department of Justice
Civil Division, Room 3336
10th & Pennsylvania Avenue, N.W.
Washington, D.C. 20036

Attorneys for Defendants

OF COUNSEL:

Katherine Savers McGovern, Esq.
Gustav Goldberger, Esq.
Attorneys
Department of Energy
Washington, D.C. 20585

Question 6: You are quoted in the New York Times of June 23 as follows:

"Frankly, I do not see the value to the consumer, or to anyone, for that matter, of the information generated by the financial reporting system."

Is this quote accurate? The same article claims that "the consolidated data published by the agency (EIA) are considered by many industry experts to be especially valuable."

Would you please explain in more detail why you consider FRS data to be without value?

Answer: The quote appearing in the New York Times article of June 23, 1983, is accurate.

I personally know of no instance of a governmental agency's policy formulation turning on, or being substantially helped by, the use of aggregated FRS data. I find it wholly incredible that a survey of only twenty-six out of the many thousands of energy concerns in this country can produce "a statistically accurate profile of each line of commerce in the energy industry in the United States," such as the law requires.

I am, of course, aware of those instances where other governmental agencies have used company specific FRS information for various enforcement purposes. But this use of the data appears to be a perversion of the Congress' intent in mandating this "summary of information" to be reported. Supreme Court Justice Powell's statement on petition for writ of certiorari in the case of Shell Oil Company et al v. Department of Energy et al should be given careful regard:

> The dissemination of this extraordinary volume of data to those prosecutorial government agencies raises a serious question, as these agencies thereby may obtain information that statutory and constitutional safeguards would bar them from obtaining directly in antitrust enforcement actions. The likelihood that rights of potential antitrust defendants will be violated increases as DOE demands increasingly more data from companies subject to its regulation and then disseminates the information to prosecutorial agencies. Congress has given DOE an investigative power that appears to be intrusive as well as excessively burdensome in its own right.

The FRS form, originally containing over 7,200 data elements, has been pared down considerably. Yet, it remains the most burdensome statistical data collection instrument, on an individual respondent basis, that either the EIA or the DOE issues. It costs the American taxpayer in the neighborhood of $1 million per year to maintain. The costs and burdens simply outweigh the demonstrated usefulness of the information so collected, aggregated, and reported. Sensible alternatives in the form of company reports and the filings of publicly-held corporations with the Securities and Exchange Commission were available to the public long before the FRS was created. While not matching the unique reporting format of the FRS, it would seem that responsible management of the public fisc calls for serious consideration of these alternatives in lieu of the mere convenience and expense of a Financial Reporting System.

EIA Mandatory Functions

Question 1: On May 23, 1983, DOE General Counsel, Theodore Garrish, wrote to Senator Johnston describing a review of EIA's implementation of programs under the laws affecting EIA. Some of these programs are discretionary and some, like the FRS, are mandatory. A copy of the Garrish letter is attached.

Please provide the Committee with a copy of the results of this review, including all the answers, categorizations, determinations and so forth mentioned in the "analytical framework" attached to the Garrish letter.

Answer: The General Counsel plans to respond directly to Senator Johnston's request when the review is completed. We have asked him to provide the Committee with a copy of the response to Senator Johnston.

Natural Gas Markets

Question 1: On May 18, 1983, EIA sent to the printer Part IV of The Natural Gas Market Through 1990: An Analysis of the Natural Gas Policy Act (NGPA) and Several Alternatives. On May 19, 1983, a memorandum strongly attacking this study written by Jan Mares, DOE Assistant Secretary for Policy, Planning and Analysis. A copy of the Mares memorandum is attached.

Please provide the Committee with a point-by-point analysis of this memorandum, including your views as to the validity of each of the criticisms of the Part IV study contained in the memorandum.

Answer: Mr. Mares' memorandum closely parallels a large portion of a May 24, 1983, letter from Congressman Tom Corcoran. To expedite a response to you, I have attached a copy of Congressman Corcoran's letter and EIA's response. Please advise me of additional information concerning any specific comments from Mr. Mares memorandum you may wish.

Question 2: The Committee has had a number of informal communications suggesting that a substantial supply response may in fact result from the decontrol of "old" natural gas (natural gas production permanently under price controls under the Natural Gas Policy Act).

Please provide the Committee with your estimates of the increased reserves and productive capacity likely to result from the decontrol of old gas as proposed under the administration's natural gas bill, S. 615, and as proposed by the Chairman, Senator Johnston, and Senator Ford (phased decontrol over 36 months).

Answer: Currently, EIA is examining the data and analysis needs necessary to address the issue of an old gas supply response to the above-mentioned proposals. EIA will have further information on which to base a response by mid-September.

Question 3: Please provide the Committee with your estimates of the available supplies of natural gas from domestic production and the demand for natural gas in the U.S. interstate and intrastate markets for each year through 1990. Please discuss the likelihood that a shortage of natural gas may arise in these markets in any of these years. What would be the main reasons why a shortage is likely or unlikely to occur in any of these markets in any of these years?

TOM CORCORAN
19th District, Illinois
Energy and Commerce Committee
Subcommittee on Fossil and Synthetic Fuels
Post Office and Civil Service Committee
Subcommittee on Postal Operations and Services
Commission on Congressional Mailing Standards

Congress of the United States
House of Representatives
Washington, D.C. 20515
May 24, 1983

2447 Rayburn House Office Building
Washington, D.C. 20515
(202) 225-3976

Illinois Offices:
115 Campbell Street
Geneva, Illinois 60134
(312) 232-6044
100 West Lafayette Street
Ottawa, Illinois 61350
(815) 434-5060
Illinois Toll-Free Action Line:
(800) 942-0837

Mr. J. Erich Evered
Administrator
Energy Information Administration
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Dear Mr. Evered:

I have recently reviewed a copy of EIA's study, The Natural Gas Market Through 1990: An Analysis of the Natural Gas Policy Act (NGPA) and Several Alternatives, Part IV.

The ability of this or any study that relies almost exclusively upon past gas market participant behavior to predict future activity in the gas market is very questionable. While this new EIA report may well be a sincere effort to predict the future, I believe it is fundamentally flawed.

The task is complicated when the proposal to be analyzed is not a different list of numbers such as new price ceilings, but an interrelated set of incentives designed to encourage response toward a certain objective, in this case a competitive and flexible natural gas market. As is pointed out in the study (p. 56), EIA has made three assumptions in projecting the price effects of the Administration's bill that cause higher wellhead prices than would otherwise be the case. As I will explain below, I think all three assumptions are wrong. I am confident that wellhead and, more importantly, delivered gas prices will be lower under the Administration's proposal than EIA has suggested.1/

Unfortunately, when Congress is dealing with an emotional and politically charged issue like natural gas legislation, numbers and studies become critical. The output of the battle of models and econometricians becomes so much ammunition to be fired at the "other side." In the process "the bottom line" is all that is important even when that bottom line is largely arbitrary and based on assumptions that are already wrong.

The Part IV Study recognizes that "[t]he probability that any projected numerical value will be realized is low..." (p. 3) The model may contain inaccurate assumptions. Data may be wrong. And a model, as the study points out,

---

1/ The General Accounting Office, in a letter report to Senator James McClure dated April 11, 1983 agreed and stated that wellhead prices would be 27¢ to 40¢ lower per thousand cubic feet (or, mcf) under the Administration's bill than those projected to occur under their analysis of the NGPA.

is "by definition, an abstraction of reality." The Part IV Study does not even contain complete documentation of the "modeling process" upon which its conclusions are based. That, we are told, will be published separately.

I am not an economist and have no great experience in analyzing models. That is for others to do, preferably before it is used. From my reading of the Part IV Study, however, it appears to me that the GAMS model is already at substantial variance from the market which it is supposed to be modeling.

Please forward to me the independent evaluations of the GAMS model that have been done, if any. I would also appreciate your response by June 6, 1983 to the following questions:

1. To what extent does the GAMS model assume that natural gas subject to the NGPA will not be sold at prices less than NGPA ceiling prices?

2. Why does the model assume that natural gas in storage is totally drawn down in the winter and what distortions result if that does not happen?

3. To what extent does the GAMS model assume adherence to long term gas contracts by the parties?

4. What amount and kinds of renegotiation are built into the GAMS model? By renegotiation, I mean both voluntary contract adjustment and "involuntary" change in gas supply and/or pricing due to the use of force majeure clauses, market out clauses or the bargaining leverage that purchasers have in a buyers' market (see e.g., recent Tennessee pipeline action).

5. What is the justification for treating the pipelines' purchase of gas reserves as a market separate from the pipelines' purchase and sale of natural gas to consumers? What is the effect of this treatment on EIA's analysis?

6. To what extent does the model reflect the results of gas "brokering" by pipelines? By brokering I mean systems of the kind now being used, or about to be used by Transcontinental pipe line, Panhandle Eastern Pipe line and others?

7. To what extent does the model project that pipelines will bid more than market clearing prices for natural gas?

Wholly apart from the ability of the model to simulate a more flexible natural gas market where gas must compete directly with oil, I have a number of questions about the assumptions EIA made, especially those used in applying the model to the Administration's natural gas proposal.

1. What is the justification for assuming that gas distributors "have no decision flexibility on gas purchase prices?" Is this assumption made in analyzing all the legislative proposals regardless of the kind of contract carriage provisions they contain?

2. What is the justification for EIA's assumption that under the Administration's proposal no gas contracts will be renegotiated until 1985? Why didn't EIA at least make an alternative projection assuming some renegotiation prior to 1985?

3. Why did EIA assume that once 1985 came, all contracts would be rewritten up to new contract prices? Why didn't EIA make an alternative projection assuming that some old gas would continue to be priced less than new gas because it simply isn't worth as much due to the age of the reservoir, the volume of gas deliverable per day or due to the advantage to both producers and purchasers of maintaining existing buyer-seller relationships?

4. What current excess deliverability of low cost gas does EIA assume? How long does EIA project that the market will be characterized by excess deliverability? At what price does EIA assume that the gas currently shut in as excess deliverability will be sold?

5. Why does EIA assume no additions to old gas reserves as a result of deregulation of wellhead prices? What is the basis for the statement that "the NGPA has provisions to permit such old gas response", especially given the practical and political difficulties involved in using this permission? At least, EIA could have made an alternate projection using the DOE's estimate of 8.5 to 11 TCF.

6. Why does EIA in this study project more gas demand in 1985 (3.2 TCF) and 1990 (2.0 TCF) than EIA did in its April 1983 Annual Energy Outlook?

7. Why does EIA assume that LNG imports by Trunkline do not start until 1984 when in fact they began in October 1982 and are having a major price impact on consumers served by Panhandle and Trunkline pipelines? Why does EIA presume that Columbia and Southern Natural Gas Company will resume importing LNG in 1985?

There are so many points at which another assumption appears to be at least as reasonable, if not more reasonable, than those employed in the Part IV Study. It seems to me imperative that EIA produce additional analysis using the alternatives outlined above. Only then can we clearly see the impact on EIA's conclusions of the choice of one assumption rather than another.

I would like to think that the consistent choice of assumptions most negative to the Administration's proposal and the failure to depict any alternatives is not deliberate. After reading EIA's summary of the Administration's proposal, however, I doubt that, especially when that summary is compared with the summaries of other natural gas proposals.

A few of many possible examples illustrate my point. The Study states that the transitional pipeline pass through cap contained in the Administration's proposal "may constitute retroactive ratemaking, which is not current practice and

generally considered to be bad ratemaking procedure." Number one, it is true that costs above the pipeline's allowed rate must be approved before they can be passed through, but pipelines are aware of this when they incur such costs. To characterize such review as "retroactive ratemaking" imparts a new meaning to the word retroactive. Number two, yes, this is a change from the current automatic pass through of everything subject to refund practice. As any consumer will tell you, current practice has been bad ratemaking procedure, as far as they are concerned. Number three, subjective editorial comments like this have nothing to do with an objective description of what the proposal does.

Second, the discussion of contract carriage does not stop at describing the provision and how it would operate. Instead, the contention is made that there would be "a strong incentive for interstate pipelines to get out of the reserves ownership business and into transportation of gas," and that "additional profits of about a billion dollars annually are potentially available to the pipelines under this option." No evidence or projected likelihood is offered for either of these propositions. As far as the first goes, it is not even clear what conclusion we are to draw from this. Many of my colleagues are disturbed about pipeline producer affiliate transactions and would be just as happy to see the pipelines focus on what they are paid to do: transport gas. With notable exceptions, pipelines have not supported contract carriage as contained in the Administration's bill. Perhaps EIA had better tell them how much they are throwing away.

Again, the most disturbing aspect of these comments is not that they are wrong, but that they were made in what is supposed to be an objective evaluation of several natural gas legislative proposals.

As a final example, the Report asserts that the development of a gas spot market, which would lower the prices projected under the Administration's proposal, "is difficult to defend because historically gas markets have operated under long term contracts." (p. 55) That has not been true even historically in the deregulated intrastate markets. Why assume that the features of a regulated market will carry over into a deregulated market rather than looking at the intrastate experience? Moreover, developments over the past few months demonstrate that the spot market in gas is already beginning. To ignore these developments is to ignore reality.

I ask you to compare remarks like these with the descriptions of the other proposals. Rather than describing the potential problems that are raised by the permanent and complete elimination of commodity based price escalation, as the authors apparently thought was appropriate to do with regard to the Administration's proposal, the authors volunteer that the Gephardt bill "does not specifically rule out periodic renegotiations." They add that "contracts calling for periodic renegotiation were more frequently found in intrastate pipeline contracts prior to the NGPA." We are not told the relevance of this point to the Gephardt bill or the analysis of that bill. If the authors are suggesting that we could expect more frequent renegotiations under a bill which extends regulation because such renegotiations existed in a market not subject

to any Federal regulation, I don't buy it. And I do not see what it has to do with describing what the proposal does.

In conclusion, I am troubled by what seems to me to be a deliberate effort to describe the Administration's proposal as negatively as possible while viewing others through more rose-colored glasses. I sense a skepticism and rejection of the unquantifiable, of something that deviates from the historical pattern. This is understandable, and even common; a number of my colleagues have expressed similar doubt. When it infects the bottom line of a supposedly objective study, however, it is wrong.

In this case, it appears to me that it has.

I look forward to your response to help me better understand the Study and why certain assumptions were made.

In addition, I am most interested in learning your personal involvement in the preparation and review of this most important study, including the documentation of the dates upon which you supervised each stage of its development and resolution. I have never sought to influence the work at EIA nor am I aware of any attempt to do so by the Secretary's office. That is your responsibility under the Department of Energy Act and I am interested in making sure it has been discharged in good order. If you would like to meet with me about this, please call me and we will arrange a mutually convenient time.

Sincerely yours,

Tom Corcoran
Representative in Congress

cc: The President
The Secretary of Energy

Department of Energy
Washington, D.C. 20585

June 1, 1983

Honorable Tom Corcoran
House of Representatives
Washington, D.C. 20515

Dear Mr. Corcoran:

Thank you for your letters of May 23 and 24. We will be happy to include Congressman Sharp's proposal among those which are currently being analyzed, as you requested. The exact details and schedule for the analysis will be worked out with your staff. We are pleased to be of service.

As for the analyses of existing law (NGPA) and the Administration's proposal which were presented in our recent report--The Natural Gas Market Through 1990: An Analysis of the Natural Gas Policy Act and Several Alternatives, Part IV--I am afraid you may have been misled concerning both the intent and the conclusions of the study.

We stand by the report, and are confident in the analysis and its conclusions based on the fully disclosed assumptions. Detailed responses to each of the enumerated questions and concerns in your letter of May 24 are contained in the enclosure to this letter.

Background

The Part IV report is the fourth in a comprehensive series begun over two years ago in anticipation of the need for detailed, objective information and analysis on natural gas markets. This study is not an attempt to predict the future. Like all of our projective analyses, its purpose is to shed light on the dynamic interactions of complex energy markets and to display the likely consequences of various energy policy alternatives under specified assumptions concerning key factors which influence the market. There are many alternative sets of assumptions which might be employed in any such analysis. We winnowed the possibilities carefully to arrive at the particular set used; they represent the Energy Information Administration's (EIA) current best judgment at the time of the report's preparation. Any reasonable alternative assumptions can also be evaluated, and we would be pleased to do so at your request.

The GAMS Model

The analyses presented in Part IV were conducted using as the principal tool the Gas Analysis Modeling System, or GAMS. We believe the GAMS model to be the best representation of the natural gas market available and it significantly advances the state-of-the-art in modeling natural gas markets. Yet, it is not perfect and we work continually to improve it. Since this is a different approach to modeling the natural gas market, we have tried to alert the reader of Part IV to this issue. Brief statements of the methodology and critical assumptions are available (see p. viii, 2 and 35). Further, Appendix A provides 25 pages on the model methodology for the non-technical reader.

With respect to the GAMS model used in the study, written documentation has not yet been completed, and written independent evaluations do not yet exist, although major parts of the model--such as the PROLOG and OCS submodels--are documented. The model has not been developed in secret, however. Presentations have been made at a national meeting of the Operations Research Society of America and the Institute of Management Science, and at a Workshop on North American Gas Markets at Stanford University. Additionally, presentations and working group meetings on GAMS over the past year and a half have been attended by personnel from the Department of Energy (DOE) Office of Policy, Planning and Analysis, and the Federal Energy Regulatory Commission (FERC). Lastly, meetings have been held with trade group representatives and other organizations where the basic structure of GAMS has been discussed and favorably commented on.

In line with EIA's consistent and continuous policy, the entire model will be fully documented, archived, and made available to the public as soon as practicable. This practice is followed by few if any other organizations. While it would be worthwhile to document and validate all models before their first use in analysis, it is impracticable and is rarely done.

No Bias in the Analysis

I emphatically deny that the analysis was conducted or the report written with any negative bias toward the Administration proposal. Allegations to the contrary ignore the strong statements favorable to the proposal contained in the report (see, for example, pages xvi, 49, 55 and 73). I take very seriously EIA's responsibility to conduct its analyses in an objective and supportable manner. The Part IV report was prepared in just such a fashion.

In retrospect, you are probably correct that the report should not have contained comments on the Administration proposal bordering on the subjective or editorial. They were intended solely as useful additional information on the only actual legislative proposal analyzed in the report. (Were other

proposals analyzed in Part IV, the reader would no doubt have benefited from such elaborative comments on them as well.)

Additional Analysis

We agree that sensitivity analysis is important and we will examine the issues that you have raised. The other proposals were not fully analyzed in the publication. A supplement to Part IV responding to Chairman Sharp's request for analyses of the proposals introduced by your colleagues, Messrs. Gephardt and Addabbo, will be available soon.

Long-term Nature of the Market

An area of clear disagreement is how the natural gas market would behave upon passage of the Administration proposal. It is our judgment that, even under widespread decontrol, the natural gas market will operate under some of the same basic principles. Foremost among these is that pipeline companies will continue to secure reserves under long-term contracts to serve their customers. Prices bid for reserves will reflect the competitive nature of the market for those reserves, and the pipelines' judgment of the marketability of the gas over the life of the contract.

On the matter of the historical behavior of the unregulated intrastate market, you have plainly been misinformed.

The pre-NGPA intrastate market was indeed a long-term contracts market (see Intrastate and Interstate Supply Markets Under the Natural Gas Policy Act and Natural Gas Producer/Purchaser Contracts and Their Potential Impacts on the Natural Gas Market). In 1978 less than three percent of the quantity sold in the intrastate natural gas market was under short-term contracts (1 year or less) and over two-thirds was sold under contracts of 15 years or longer. Further, international gas markets are characterized by long-term contracts.

We have tried to lay out the issues on wellhead contracts and spot markets as we saw them at the time the report was written (see pp 22-26). We also have a study in progress which will present additional information and analysis on this issue.

Standard Procedures Followed

As with all EIA publications, our established internal review procedures were followed for this study. After preparation of a report by the appropriate program office, the report is reviewed and cleared by all EIA office directors. After the internal review and clearance the report is sent to the Administrator's office for final review and clearance prior to publication.

You will recall that in January I scuttled a final draft of Part IV that was based on stale data and assumptions invalidated by

recent events in the world oil market. I received a draft of Chapters 1, 2, and 3 and Appendices A and B of the new Part IV for review on April 22, 1983; the balance of the report, including the findings and discussion of the analysis, was delivered to me on May 13, 1983.

EIA's Gas Information Activities

The Energy Information Administration has a statutory responsibility to serve policymakers' and decisionmakers' needs for timely, high-quality energy information and objective analysis of energy trends and projections. When I took over the helm of EIA two years ago, it was clear that the natural gas market would assume a high profile on the legislative agenda. We immediately set out to fill the major gaps in our (and everybody else's) knowledge and understanding of the gas market.

After an assessment of the state of the natural gas market (the Part I report), we researched and published a landmark examination of the much-discussed but little-understood "contracts problem" in Part II. Next came the highly acclaimed study of pipeline purchase behavior in Part III of An Analysis of the NGPA and Several Alternatives.

In order to serve better the data needs of analysts and decisionmakers, EIA introduced last fall the new Natural Gas Monthly, which consolidates previous publications and presents a broad range of important gas market data monthly, much of it never before published, and--significantly--does so with no increase in respondent burden in producing the information. Last month we published Natural Gas: Use and Expenditures, which gives detailed information by sector and region of the United States on who uses natural gas, what they use it for, and what they pay for it. All this is in addition to our regular and continuing production of natural gas information to serve the diverse needs of the FERC and others.

None of this happened by accident. These accomplishments are the direct result of the creativity and hard work of a cadre of skilled, dedicated, professional public servants in the Energy Information Administration. Severe constraints on staff and budget make these achievements all the more remarkable.

When we began these efforts two years ago, we realized that we did not have a modeling system adequate to evaluate rigorously the various impacts of proposed alternatives to current natural gas law. Hence, the genesis of the Gas Analysis Modeling System (GAMS), which was designed to fill that need and which represents a new generation in the state of the art of energy market modeling. As I said before, GAMS is the principal tool with which were generated the analyses presented in The Natural Gas Market Through 1990: An Analysis of the Natural Gas Policy Act and Several Alternatives, Part IV.

My intent with Part IV, as with all our information products, was to illuminate the debate over natural gas policy. Well, a lot of light has been generated, but unfortunately much heat as well. To the credit of the Department of Energy, the White House, and the Congress, none of that heat has been of a manipulative nature. Our independence, integrity and reputation are intact.

Recalling well Secretary Hodel's statements upon introduction of S.615 and H.R.1760 that the Administration's intent is to correct the deficiencies and inequities of the natural gas market under the NGPA, and that while the Administration's proposal is designed to do just that it is open to debate, negotiation and refinement, it has been my hope that the Part IV report and all of EIA's natural gas information products would be utilized constructively toward that end. That remains my hope.

With warmest personal regards,

(Signed) J. Erich Evered

J. Erich Evered
Administrator
Energy Information Administration

Enclosure

cc: The President
The Secretary of Energy

ENCLOSURE TO RESPONSE BY THE ADMINISTRATOR, ENERGY INFORMATION ADMINISTRATION, TO THE HONORABLE TOM CORCORAN, MEMBER OF CONGRESS; JUNE 1, 1983

Following are responses to your enumerated questions:

1. To what extent does the GAMS model assume that natural gas subject to the NGPA will not be sold at prices less than NGPA ceiling prices?

   Response: From a survey taken in 1981, we have estimated the proportion of contracts in existence during 1980 which specified NGPA price ceilings as well as the proportion which had more specific price terms. We estimate that contracts for approximately 20 percent of the gas flowing in 1980 had provisions which were not tied to price ceilings. Contracts for gas (signed after 1980) are assumed to be priced at the NGPA ceilings if the market is willing to pay the price. Further, we have attempted to update contracts information based on recent contract and PGA filings at the FERC.

2. Why does the model assume that natural gas in storage is totally drawn down in the winter and what distortions result if this does not happen?

   Response: Underground storage of natural gas in the U.S. is primarily designed to smooth out annual winter/summer consumption cycles. We think of the model as assuming that working gas (not all gas in storage) is totally drawn down each winter and then built up again each summer to starting levels. A more precise statement of the behavior embodied in the model would be that there is no net year-to-year change in gas in underground storage; i.e., however far storage is drawn down in the winter, that much is replaced in the summer of the same year. To the extent that this assumption is violated, there will be slight shifts in production between adjacent years but the overall trends will not be affected.

3. To what extent does the GAMS model assume adherence to long term gas contracts by the parties?

   Response: The types of contracts modeled in GAMS are explained in detail in the report (p. 95). In summary, it is assumed that the terms of long-term gas contracts in effect in 1980, as described by the EIA survey, are honored by the parties to the contracts until the gas is depleted or the contract expires. For new contracts we assume that upon deregulation both parties to the contract exhibit flexibility, with the effect that the gas is priced using the new contracts price as reference.

4. What amount and kinds of renegotiation are built into the GAMS model? By renegotiation, I mean both voluntary contract adjustment and "involuntary" change in gas supply and/or pricing due to the use of force majeure clauses or the bargaining leverage that purchasers have in a buyers' market (see e.g., recent Tennessee pipeline action).

   Response: Contracts with most-favored-nation (MFN) provisions with market-outs or periodic renegotiation clauses are assumed to be renegotiated yearly, using the new contracts price as a reference. Unilateral actions, other than market-out, on the part of parties to a contract are not modeled. (AMOCO, Chevron, Texaco, Superior and several other producers have filed suit, and Texaco and Conoco are seeking action at FERC against the Tennessee Pipeline's recent action.)

5. What is the justification for treating the pipelines' purchase of gas reserves as a market separate from the pipelines' purchase and sale of natural gas to consumers? What is the effect of this treatment on EIA's analysis?

   Response: The two markets are distinct, but loosely coupled. EIA believes that the acquisition of reserves under long-term contracts is based not just on current market conditions but also on demand and price expectations for years in the future. (This assumption is supported by the current behavior of many pipelines which have continued to contract for new supplies of gas despite the current surplus.) On the other hand, many consumers have the flexibility to alter their purchases without notice. The effect of this treatment is to significantly strengthen EIA's analysis over the approach of other models in which reserves acquisition is implicitly assumed to respond only to current market conditions.

6. To what extent does the model reflect the results of gas "brokering" by pipelines? By brokering I mean systems of the kind now being used, or about to be used by Transcontinental pipeline, Panhandle Eastern Pipeline and others?

   Response: Currently gas brokering is occurring on a very small scale. There is no specific representation of gas brokering within the current version of GAMS.

7. To what extent does the model project that pipelines will bid more than market clearing prices for natural gas?

   Response: In GAMS the market is always cleared, since supply is matched to demand at the prevailing price. On a year-to-year basis this clearing occurs within each pipeline system. In reality, pipelines never intentionally contract for production at greater than the anticipated market clearing price. However, some MFN or other commodity-tied clauses may force them into this position.

In response to your statement concerning flexible gas markets competing directly with oil, GAMS does indeed simulate a market in which gas competes directly with oil. Specifically, in GAMS gas competes directly with residual fuel oil in the industrial and utility sectors when the capability for dual-firing of boilers exists, and indirectly elsewhere. The size of the dual-fired boiler market and the conditions under which fuel-switching occurs are the subjects of continuing study, but the effects of uncertainty in this area can be analyzed by making alternate assumptions and evaluating the outcomes. A sensitivity analysis of the model to different sets of supply and demand assumptions was presented in Chapter 4. Unfortunately the combinations of parameter variations grow very fast and only a few could be selected for the analysis.

With respect to your other questions concerning EIA's assumptions:

1. What is the justification for assuming that gas distributors "have no decision flexibility on gas purchase prices?" Is this assumption made in analyzing all the legislative proposals regardless of the kind of contract provisions they contain?

   Response: Gas distributors, in general, purchase gas from pipelines whose tariffs are established by the FERC or a State Commission. This assumption is contained in the analysis of each legislative proposal in Part IV. Contract carriage is an issue which is not fully understood generally. How it would change the structure of the gas market is an important question. EIA has started a study of this subject, but we have no answers at this time. We are examining how freer markets that could be realized under the Administration's proposal might react. It is important to remember that contract carriage is neither common carriage nor deregulation of pipelines.

2. What is the justification for EIA's assumption that under the Administration's proposal no gas contracts will be renegotiated until 1985? Why didn't EIA at least make an alternative projection assuming some renegotiation prior to 1985?

   Response: EIA believes that the assumption of no renegotiation in 1984, or equivalently that renegotiations have no net effect on the projections, is plausible and likely. The rationale for our choice of assumptions in this case is straightforward. Producers are considered unlikely to make concessions to pipelines in 1984 and forego revenues unless they receive a higher-than-market price later. On the other hand pipelines are not likely to renegotiate low-cost contracts in 1984 unless they would continue to enjoy lower-than-market prices after 1984.

As with your other questions concerning alternate input assumptions, renegotiation prior to 1985 can be evaluated. However, if the multitude of alternatives which have been proposed were evaluated independently the combinations would become unmanageable. I encourage your staff to define a package of alternatives for key assumptions concerning the Administration's proposal which will represent your views of market behavior better than those chosen by EIA, so that the effect of these alternatives can be evaluated.

3. Why did EIA assume that once 1985 came, all contracts would be rewritten up to new contract prices? Why didn't EIA make an alternative projection assuming that some old gas would continue to be priced less than new gas because it simply isn't worth as much due to the age of the reservoir, the volume of gas deliverable per day or due to the advantage to both producers and purchasers of maintaining existing buyer-seller relationships?

   Response: EIA does not believe that the age of a reservoir should influence the price of natural gas in a deregulated market, since the value to the consumer is the same, whatever the age. Further, maintaining existing buyer-seller relationships where better prices are available has limited value.

4. What current excess deliverability of low-cost gas does EIA assume? How long does EIA project that the market will be characterized by excess deliverability? At what price does EIA assume that the gas currently shut in as excess deliverability will be sold?

   Response: EIA does not assume anything concerning excess deliverability of low-cost gas. The GAMS model solves for quantity. There is always some excess deliverability of gas. These and other assumptions concerning spot market sales are described in the report (see page 55). In the NGPA reference case analysis, there is some "shut-in" production under Sections 102, 103, 104, 105, and 107 in 1982 and 1983, each with quite different prices.

5. Why does EIA assume no additions to old gas reserves as a result of deregulation of wellhead prices? What is the basis for the statement that "the NGPA has provisions to permit such old gas response," especially given the practical and political difficulties involved in using this permission? At least, EIA could have made an alternate projection using the DOE's estimate of 8.5 to 11 Tcf.

Response: Any old gas supply response would be realized at the wellhead primarily in the 1990's and would probably not significantly change the results. The size of this response is directly related to the wellhead price. There are proposed rulemakings on this subject currently under consideration at the FERC.

EIA assumptions on the old gas supply response are stated in the report (see page 55). We believe the issue needs further study; alternative assumptions can clearly be made.

6. Why does EIA in this study project more gas demand in 1985 (3.2 Tcf) and 1990 (2.0 Tcf) than EIA did in its April 1983 Annual Energy Outlook?

Response: The principal reason for much lower gas demand in the Annual Energy Outlook (AEO) is the large amount of oil substitution ("fuel-switching") in the industrial and electric utility sectors which takes place under AEO's higher gas prices. A more detailed description of the two cases, with their assumptions, model behavior and implications, is in preparation. However, it is important to remember that the alternatives discussed in Part IV were all evaluated using a single model and a consistent framework of market behavior.

7. Why does EIA assume that LNG imports by Trunkline do not start until 1984 when in fact they began in October 1982 and are having major price impact on consumers served by Panhandle and Trunkline pipelines? Why does EIA presume that Columbia and Southern Natural Gas Company will resume importing LNG in 1985?

Response: Assumptions concerning imports seemed likely at the time they were made. Changing the assumptions would not significantly impact the aggregate results presented in the report although localized problems could occur.

In response to your additional concerns:

The assumption on the pipeline passthrough mechanism has been discussed with DOE's Policy and General Counsel offices and the FERC. After these discussions, EIA arrived at its decision. EIA is not alone in having trouble with the Administration bill's language. Chairman Butler and others have offered changes. In a market where market-outs are available, how can a pipeline keep its gas if it cannot pay the "market price" for it? EIA remains open to discussion on this issue.

On contract carriage, EIA believes the incentives are available under the Administration proposal, but the interstate pipelines have opposed this issue for over 50 years (see page 28). We are not sure why.

With other contract devices outlawed, periodic renegotiations would seem to be the only alternative to definite escalators. In addition, current ratemaking under Purchased Gas Adjustment (PGA) procedures is not good cost discipline for the market, as discussed in the report (see pp 26-30), since it allows for automatic cost increases with very little consideration for market response.

TOM CORCORAN
14TH DISTRICT, ILLINOIS

ENERGY AND COMMERCE COMMITTEE
SUBCOMMITTEE ON FOSSIL AND SYNTHETIC FUELS

POST OFFICE AND CIVIL SERVICE COMMITTEE
SUBCOMMITTEE ON POSTAL OPERATIONS AND SERVICES

COMMISSION ON CONGRESSIONAL MAILING STANDARDS

Congress of the United States
House of Representatives
Washington, D.C. 20515

June 2, 1983

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Mr. J. Erich Evered
Administrator
Energy Information Agency
Department of Energy
Washington, D.C. 20585

Dear Erich:

Thank you for meeting with me yesterday. I appreciate your willingness to undertake additional analysis of the natural gas market based on different assumptions.

However, I am still disappointed that after the investment of so much time and resources, the EIA model is apparently 12 to 18 months out-of-date. The model seems to have missed nearly every significant new development now underway in the real world. Examples are:

- the buyers' market with lower than NGPA prices for Section 102 and 103 gas
- the development of spot markets, illustrated by the Transco and Panhandle programs
- the understanding that gas must compete against falling or flat oil prices as well as rising oil prices; therefore, pipelines must plan for their contracts to be more flexible to move up and down in price as the market changes over time
- the understanding that pipelines will be subject to competition from other pipelines and producers for market share
- the understanding that the "automatic pass-through" of purchased gas costs is already dead because of competitive pressures and not just because of the prospects of new regulations

As a result, the EIA model has a value, but its rigid historical structure limits it to the question "what would happen if the conventional wisdom of 12 to 18 months ago were continued indefinitely?" The answer is in EIA's charts.

There is no doubt that the EIA is a first class statistical collection bureau. Analysis of a dynamic market, however, is far different from the simple, or even complex, extrapolation of historical data. After all, we owe the NGPA, the Fuel Use Act, and incremental pricing to the predictions of Jimmy Carter's Secretary Schelsinger. Remember that it was a sincere statistician who predicted that there was no more natural gas in the ground "because" there was none in his computer. I am delighted that we are both committed to preventing Congress from being subject to this kind of sophistry again.

In a sincere but mismanaged projection of the Administration's bill, the EIA staff made value judgments about supply response, spot market development, and the relationship of oil to natural gas prices which differed from those of the DOE policymakers. Therefore, the EIA projection would not seem to reflect an objective analysis of the Administration's proposal. Since I am also quite convinced that these EIA staff value judgments are themselves wrong as a matter of fact, the EIA projection would not seem to bear any relationship to the current and future natural gas market.

If you can update the EIA model, then it may have some value to my colleagues and myself as legislators. The model must not prejudge either the market, the Congress or the Administration's policy. If these defects in the present model can be remedied, then Part V can be a successful resource for serious policy makers. From our meeting yesterday, I know I speak for both of us when I say that it is an embarrassment that EIA's present report is subject to misuse.

In sum, you were right in your June 1 letter to me. I was misled concerning the intent and the conclusions of the Part IV Study. I thought the intent of the Study was to analyze the Administration's proposal as it is likely to work, based upon the current gas market and where that market appears to be headed. After our meeting, it is plain to me that I was wrong. I hope you will be as forthright in pointing this out to others as you were to me.

I stand ready to work together on this most important matter.

Sincerely,

Tom Corcoran
Representative in Congress

Department of Energy
Washington, D.C. 20585

April 13, 1983

Honorable George Bush
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

Enclosed is proposed legislation "[t]o reduce costs and the public reporting burden of the Energy Information Administration." This proposal is part of the Department of Energy (DOE) legislative program for the 98th Congress. The Office of Management and Budget advises that there is no objection to the presentation of this legislation for the consideration of the Congress and that its enactment would be in accord with the President's program.

Purpose of the Legislation

The purpose of the proposal is to reduce costs and the public reporting burden of the Energy Information Administration (EIA) and thereby further the President's overall program of reducing the Federal budget. The proposal enables the EIA to reduce costs and eliminate burdensome, duplicative public reporting requirements by eliminating several unnecessary reporting requirements.

The bill would amend section 11 of the Energy Supply and Environmental Coordination Act of 1974, Pub. L. No. 93-319, to eliminate the requirement to gather information quarterly and produce reports quarterly for the Congress on domestic reserves and production; imports; and inventories of crude oil, residual fuel oil, refined petroleum products, natural gas, and coal; and report on energy company finances. This amendment is intended to reduce the reporting burden on persons from whom information is obtained and to reduce the administrative burden on the EIA. The reporting of information on a quarterly basis is needlessly detailed and excessively burdensome, as well as duplicative of other EIA data series.

The bill also would repeal several statutory provisions that mandate detailed, expensive, and burdensome reports:

- Repeal of section 25 of the Federal Energy Administration Act of 1974 (15 U.S.C. § 784) (FEA Act) would eliminate a required system for tracking and reporting every transaction, sale, exchange or shipment involving exports of coal and oil. Continuation of the requirement is unjustifiable

because sufficiently detailed data on the export of oil and coal currently is collected by the Department of Commerce and made available to the Energy Information Administration.

- Section 205(h) of the Department of Energy Organization Act (42 U.S.C. § 7135(h)) (DOE Act), which requires establishment of a Financial Reporting System (FRS) containing detailed information on the structure of the energy industry, would be repealed by the bill. The FRS involves a high reporting burden. The availability of related information from other sources within and outside the Government, coupled with the extensive burden associated with the FRS reporting form, justifies the ending of this mandatory requirement.

- Section 801 of the Powerplant and Industrial Fuel Use Act of 1978 (42 U.S.C. § 8481) also would be repealed, in order to eliminate the requirement for an annual report on coal reserves disclosure. The report, to carry out the requirement fully, would entail detailed information gathering at the individual mine level. This expense would be unwarranted, particularly in view of the fact that United States coal reserves are estimated to last in excess of 300 years.

- Section 242 of the Emergency Energy Conservation Act of 1979 (42 U.S.C. § 8532) would be repealed to eliminate the requirement to develop a State-level middle distillate monitoring system. This requirement conflicts with the Administration's intent to direct EIA efforts away from State-level toward national-level reporting.

- Finally, sections 54(b)(4) and 57(a)(2) of the FEA Act (15 U.S.C. §§ 790c.(b)(4) and 790f.(a)(2) respectively) would be amended to modify the requirements for EIA to prepare forecasts of energy consumption and supply trends. The current requirements are overly specific in stipulating mid- and long-term forecasts, and those forecasts prepared by EIA and others in the past have been found to be speculative and unreliable particularly in the long term.

Cost and Budget Data

Continuation of the requirements to be eliminated through enactment of this bill would impose increased budgetary requirements on the DOE of $133 million over the next five fiscal years.

Sincerely,

Eric J. Fygi
Acting General Counsel

Enclosure

A BILL

To reduce costs and the public reporting burden of the Energy Information Administration.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Energy Information Administration Reports Reduction Act".

SEC. 2. Section 11 of the Energy Supply and Environmental Coordination Act of 1974 (15 U.S.C. § 796) is amended --

(a) by striking the last sentence of subsection (a); and

(b) in subsection (c) --

(1) by striking "(1)" immediately following "(c)"; and

(2) by striking paragraphs (2) and (3).

SEC. 3. Section 25 of the Federal Energy Administration Act of 1974 (15 U.S.C. § 784) is repealed, and its catchline is stricken.

SEC. 4. Section 205 of the Department of Energy Organization Act (42 U.S.C. § 7135) is amended by striking subsection (h).

SEC. 5. (a) Section 801 of the Powerplant and Industrial Fuel Use Act of 1978 (42 U.S.C. § 8481) is repealed.

(b) Section 101(b) of the Powerplant and Industrial Fuel Use Act of 1978 (42 U.S.C. § 8301 note) is amended by striking the item in the table of contents relating to section 801.

SEC. 6. (a) Section 242 of the Emergency Energy Conservation Act of 1979 (42 U.S.C. § 8532) is repealed.

(b) Section 101(b) of the Emergency Energy Conservation Act of 1979 (42 U.S.C. § 8501 note) is amended by striking the item in the table of contents relating to section 242.

SEC. 7. Section 54(b)(4) of the Federal Energy Administration Act of 1974 (15 U.S.C. § 790c.(b)(4)) is amended by striking "short- and long-term" preceding "relationships" and inserting "for future periods" following "relationships".

SEC. 8. Section 57(a)(2) of the Federal Energy Administration Act of 1974 (15 U.S.C. § 790f.(a)(2)) is amended by striking "short-, medium-, and long-term" and inserting in its place "a summary of".

SEC. 9. This Act takes effect 30 days after enactment.

Answer: Estimates of natural gas production through 1990 in both the interstate and intrastate markets are provided in the Table below. Currently, gas drilling is declining rapidly, and if this trend continues, shortages could materialize by the late 1980's. Additionally, shortages may arise from two other factors. First, if oil prices were to increase sharply (e.g., due to a disruption), the demand for gas may increase sharply and shortages may occur, depending on the flexibility of gas market pricing. Second, if Congress were to reinstitute price ceilings on gas scheduled for or already decontrolled, the market could experience the problems that created the shortages of the 1970's.

Quantity and Average Price of Natural Gas Production

(Units: Quads and 1982 Dollars per MMBTU)

	1982	1983	1984	1985	1986	1987	1988	1989	1990
Interstate									
Quantity	11.89	11.52	11.08	11.34	11.66	11.76	11.72	11.61	11.46
Price	2.26	2.44	2.73	3.11	3.41	4.82	4.11	4.46	4.78
Intrastate									
Quantity	7.09	6.95	7.17	7.08	7.12	7.09	7.06	6.95	6.90
Price	2.23	2.45	2.70	3.33	3.68	4.05	4.33	4.71	5.03
Total									
Quantity	18.98	18.47	18.25	18.42	18.77	18.85	18.78	18.56	18.37
Price	2.25	2.45	2.72	3.19	3.52	3.91	4.19	4.55	4.88

Question 4: Please describe your present and projected ability to analyze developments in the U.S. intrastate market. At an earlier hearing, Secretary Hodel indicated that the Department intended to increase its ability to comment on this market. What have you done in this area?

Answer: Because of information required by the Federal Energy Regulatory Commission (FERC), more information is available on interstate markets. Information on intrastate markets has always been hard to obtain and regulatory issues are unique to each State. Over the past several years, EIA has investigated the Texas and Louisiana intrastate markets and acquired information from respective State agencies. We are currently discussing ways of cooperation and data sharing with both Texas and Louisiana. EIA has used available information to support its analyses and projections concerning the intrastate market. Two analysis reports which provide analysis of the intrastate markets include:

1. Intrastate and Interstate Supply Markets Under the Natural Gas Policy Act, October 1981.

2. The Natural Gas Producer/Purchasers Contracts and the Potential Impacts on the Natural Gas Market, An Analysis of the Natural Gas Policy Act and Several Alternatives Part II, June 1982.

Additionally, two reports are currently in progress that address the intrastate market.

SENATOR LOWELL T. WEICKER QUESTIONS

Question 1: In your prepared statement you say that EIA is not requesting funds to carry out those activities that would be eliminated if legislation similar to the "Energy Information Administration Amendments of 1981" is enacted. What chance do you think that legislation has of being enacted this year? If it isn't enacted, how will you carry out those required activities if you have not requested any funds for them? Please provide the Committee with an itemized list of the required activities for which you are not requesting funding and the funding that would be necessary to carry each out.

Answer: The EIA is looking forward to enactment of the "Energy Information Reports Reduction Act," particularly with your support. Should the legislation not be enacted, I would defer any decision regarding those activities until completion of the FY 1984 appropriation process. Attached is a copy of the proposed legislation with associated material. A listing of the programs contained in the legislative proposal, with their respective costs, follows:

Requirement	1982 Cost (000)
Financial Reporting System	2,400
Mid- and Long-Term Forecasting	5,500
Coal Reserves	60
Coal and Petroleum Exports	40
Middle Distillate Monitoring*	2,700
Quarterly Reporting	100
TOTAL	10,800

* This requirement expired July 1, 1983.

Question 2: On page 2 of your statement you say that in reducing your budget from $104 million in 1981 to $56.4 million in 1983 you have eliminated some activities. Please provide the Committee with a list of the activities you have abolished.

Answer:

	Dollars in Millions
1981 Appropriation	$104.1
Program elimination and reductions	
FRS	-2.4
Middle Distillate Monitoring System	-2.7
Support to ERA, Conservation and Solar, and EP	-2.8
Federal Energy Regulatory Commission support	-3.0
Reduction of the information validation program to a quality assessment function	-5.0
Energy Emergency Management Information System	-3.0
Development of the Data Resources Directory	-1.6
Analysis Reports	-1.6

Industrial and Commercial Consumption	-1.4
Model documentation	-1.9
Support for the Natural Gas Policy Act	-1.5
Mid- and long-term forecasting	-5.5
Miscellaneous computer hardware, disk storage and computer support to users	-3.9
Elimination of duplicative and low utilization data series and consolidation of systems and publications	-5.0
Savings from efficiency improvements	-3.6
Salaries and benefits for residual staff reductions	-2.8
FY 1983 appropriation	$56.4

Question 3: You note in your statement that EIA is postponing a request for quality maintenance investment projects for the second year in a row. Would you elaborate as to what you mean by a quality maintenance investment project?

Answer: Maintaining, and hopefully improving, data quality requires investment in the capital of statistical information production. But, as in other "businesses," tight markets result in lower investment spending. Old products are kept in place and new products are not developed, even though keeping some of the old products may be poor long term strategy. Aging capital is neither replaced nor improved, eventually affecting product quality and cost. Investment cannot come at the expense of basic programs, but must come out of "profit" or out of "borrowing" (claims against future profits). For a Government program we are talking about the allocation of resources above basic program costs. If only basic program costs are funded, the best we can hope to do is keep data quality at its current level.

Thus, at some point, there must be new investment in the capital of statistical information production, such as development and maintenance of universe lists and sample frames, implementation of quality assurance validation recommendations, replacement of old information technology, integration of existing data systems, and improvement of statistical methodologies.

Question 4: You say that EIA's information products may not be of the same quality that EIA produced in the past because your budget request does not include funds for quality maintenance investment projects. How would this reduction in quality be manifested? How long can you go postponing funding requests for these projects before funding these projects becomes essential? Will we face large budget requests for this purpose then?

Answer: We have several on-going efforts designed to monitor and assess the quality of our information products. The program offices are responsible for quality control which they do by comparing current data with historical trends and relevant information from other sources, by conducting various edit checks, and by conducting field follow-up and response/non-response analysis. Our Office of Statistical Standards is responsible for quality assessment activities which include spot evaluations of actual processing procedures against standards and various targeted evaluations of overall product quality, such as an annual state-of-the-data report. These activities are designed to provide some indications of where quality may be deteriorating; other deteriorations may go undetected. For example, frames need to be periodically updated because firms both enter and leave the marketplace. The rates of births and deaths vary

considerably from one industry to another. If the characteristics of the new firms (a survey is generally required to determine who they are) should coincidently be similar to the departing firms, the survey results may be relatively accurate. However, in the reverse, the accuracy is most assuredly seriously in doubt, and there will be no good way of making and determining the level of accuracy.

The investments in quality maintenance can not be postponed indefinitely. Most of those which have been postponed will be essential by next year. The size of the backlog is approximately by $5 million, and is specified in the next answer.

Question 5: Please provide the Committee with a list of the quality maintenance investment projects which you have postponed and the respective funding necessary for each.

Answer: Below is a list of those quality maintenance investment projects which have been postponed.

	Amount in Thousands
Update of frame for major petroleum supply surveys	200
Update of frame for fuel oil dealers and resellers	750
Expand frame of fuel oil dealers to include truck stops and retail diesel fuel dealers	500
Improve frame of prime petroleum suppliers	500
Improve coverage of petrochemical feedstocks and aviation gasoline	225
Update frame for coal production system	100
Update companies in alternate fuels frame	100
Requirements review for coal form	250
Update sample survey for consumption to account for changes in population reflected in 1980 Census	160
Reinterview non-residential buildings survey respondents	160
Develop sampling frame for non-residential buildings survey	1,000
Re-estimate square footage in non-residential buildings/ commercial sector	250
Update, document, and archive the Short-Term Integrated Forecasting System	100
Revise the Natural Gas Liquids system	60
Correct deficiency in calculating uranium demand	150
Implement validation recommendations in the Coal Production System	80
Verify electric power company, plant, and region codes in electric power data systems	250
Verify common electric power data elements across all data systems	350
	5,185

Question 6: In the 1982 Performance Evaluation of the Energy Information Administration by the Professional Audit Review Team (PART) the PART said that EIA had been responsive to all but one of their recommendations. That one exception was the recommendation to, "Require the Director, Office of Planning

and Resources, to assess the number and types of skills EIA needs to meet its overall requirements and to determine whether staffing allocations to each EIA office are appropriate." What have you done in the past year with regard to this recommendation?

Answer: As mentioned during the hearing, EIA has not undertaken the skills assessment recommended by PART. Current plans call for the assessment to begin in early fall and be completed by early calendar year 1984.

Question 7: The recent AST-4 exercise has highlighted the need for U.S. preparedness to meet any future oil short-fall. If an oil shortage occurs in the future, can you assure us that we will have certified data from all the relevant firms on what oil is in fact coming to the U.S. at any given time?

Answer: The EIA collects monthly data on the Form EIA-142, "Interagency Imports/Stocks at Sea Report," containing actual and anticipated crude oil and petroleum product imports and at-sea stocks, filed by major importers. During an emergency, International Energy Agency (IEA) Questionnaires A/B would be activated, and 23 firms designated by the IEA would complete Questionnaires A/B rather than the EIA-142. The remaining EIA-142 respondents would provide additional detail in their submissions. We believe these actions would provide adequate certified information concerning oil imports into the U.S.

SENATOR DON NICKLES QUESTIONS

Question 1: There has been some criticism that several of the assumptions used in the EIA model for natural gas are 12 to 18 months out of date. What are some of the assumptions that EIA has used in developing its natural gas model? Do these models reflect the most recent market conditions? For example, does the EIA model reflect the recent development of gas spot market, with its attendant consequences for natural gas prices? If not, why not?

Answer: EIA's assumptions and data are as current as possible and reflect market conditions. They are contained in Chapters 3 and 4 and the Appendices of the Natural Gas Market Through 1990, An Analysis of the Natural Gas Policy Act and Several Alternatives, Part IV. The recent developments of a spot or brokered market are not large and, by design, of a very narrow focus. For example, most have been designed to alleviate current take-or-pay problems. These types of brokered transactions appeared, then disappeared, during the interstate shortages in the late 1970's. Currently, the natural gas market is very volatile and is constantly changing but this may be only a temporary response to the overall problems. At the same time, we agree that the events that have taken place over the past year are a response to a current market problem and should be carefully observed for any significant implication they may have over the long term.

Question 2: To what extent do these models take into account recent proposals discussed in the various natural gas legislative initiatives now under consideration in Congress? For example, how does the EIA modeling work take into account the prospects for contract renegotiations in the near-term and over the last six months? Do these assumptions accurately reflect current business practices? If so, please justify.

Answer: EIA has analyzed the NGPA and proposals by the Administration, Representatives Addabbo, Gephardt, Slattery, and Representative Sharp's Committee Print. We have also analyzed continued control and phased decontrol. EIA assumes contracts operate as written and renegotiations can and will take place, but assumed that renegotiations take place within the terms of the contracts. EIA's contracts data base classifies contracts according to their terms. The analysis is based on the contracts data base, and is therefore driven by the conditions in individual contracts. The analysis assumes that those contracts with renegotiation and market-out provisions will be exercised, but that companies will not violate the limits of their contracts. No unilateral contract action is assumed to take place.

Question 3: How sensitive are the results of various gas models to changes in assumptions? In particular, how do these assumptions affect various natural gas supply and production estimates? How can you account for the wide range in gas prices predicted as a result of the Administration's proposal under the EIA model and the Policy Office Projections?

Answer: Changes in economic assumptions cause greater changes in results in the various natural gas models than changes in policy assumptions. For example, the assumptions that we make with respect to the world oil price, finding rates, pipeline tariffs, behavior of producers, pipelines and distribution companies, and demand produce results that vary more than the results produced by policy

changes. The wide range in gas prices predicted by the models is due to differences in these basic assumptions.

Question 4: Why does EIA in its recent study project more gas demand in 1985 (3.2 Tcf) and 1990 (2.0 Tcf) than EIA did in its 1983 gas study? What factor does fuel-switching play in making these projections? How do these projections for fuel-switching relate to today's conditions and what might be expected in the future in light of today's conditions?

Answer: In May 1983, the EIA published its 1982 Annual Energy Outlook (AEO) which contained forecasts of energy futures. The Natural Gas Market through 1990, An Analysis of the Natural Gas Policy Act and Several Alternatives, Part IV (Part IV Report), which also contains forecasts, differs from the AEO in three major respects:

- It is based upon more current data, updated assumptions, and it reflects the nature of existing natural gas contracts, pricing provisions, take-or-pay provisions, and deregulation provisions.

- It is based upon a detailed analytical model that was designed to provide the capability of assessing the flow of gas annually from producing regions through pipelines to distributors, in line with historic market patterns. This model was developed to permit an analysis of questions regarding regional impacts, prices in the interstate and intrastate markets, production, and the market impact(s) of long-term contracts.

- Market segmentation (the level of disaggregation), market clearing (national versus pipeline system), transmission, distribution, dispatching decisions of electric utilities, and fuel-switching differ in the two models. Detailed information may be obtained in the two reports above.

The same basic assumptions concerning world oil price and economic growth are used in the AEO and the Part IV Report. However, differences in approach to the analysis of behavior of national gas markets provide alternate views of what might happen to natural gas production, consumption, and price.

Production and consumption differ by 3.3 Quads in 1985 and 2.2 Quads in 1990 between projections in the Part IV Report and the AEO primarily in electric utilities due to the analytic approach and regional detail. These differences are associated with corresponding differences in the prices of refined petroleum products and gas at the burner tip.

Within the Part IV Report, the NGPA and proposed alternatives are all compared using a consistent framework of assumptions and expected market behavior.

EIA is currently working to improve its analyses of fuel switching. It is very difficult to sort out the reasons for decreases in natural gas consumption. They could be due to general economic conditions, fuel switching, or weather.

Question 5: How sensitive are natural gas projections to various world oil price projections? For example, several recent projections have suggested that world oil prices may begin to rise again in 1985. What impacts on natural gas prices might result if these projections turn out to be wrong, which has also been suggested by several other recent oil company forecasts?

Answer: EIA projects that world oil prices may start up in 1985. Increses in the GNP (and subsequent changes in the demand for energy) and fuel choice decisions (for example, between oil and gas in the U.S. market are the most important factors affecting world oil prices. The impact of world oil prices on the natural gas market is significant and would change projections considerably. For example, lower world oil prices lower the price of residual fuel oil which competes with gas, but at the same time stimulate the economy and the demand for all energy, including gas. Higher than assumed oil prices raise the residual fuel oil price but decrease overall energy demand.

Question 6: EIA assumed that no significant movements of gas would result from so-called contract carriage arrangements. However FERC has just recently issued a final rule authorizing a 5¢ per mcf incentive to encourage such movements. This proposal had been under study for some time at FERC and was adopted by a vote of 4-1 (Chairman Butler voted "no"; preferring a "stick" approach rather than the "carrot" approach). Did EIA staff consult with FERC staff?

Answer: EIA is in constant contact with FERC at all levels of both organizations. In our reference case analysis we generally do not anticipate action by legislative or regulatory bodies, that is, we assume "current law." As has been demonstrated in the Senate Energy and Natural Resources Committee mark-up, the current issue of contract carriage is not simple. Pipelines have opposed common carriage for over 50 years and generally show few signs of changing their position. The recent ruling by FERC will encourage the issue of contract carriage, but the issue is far from resolution.

JULY 12 QUESTIONS

Usefulness of Data to End Users

Question 1: Mr. Evered, in the past, EIA has been criticized because some of its studies did not take into consideration end-users' needs for data. What specific steps have you taken to ensure closer consultation with your end users?

Answer: Criticism of EIA's efforts to assess user needs has originated primarily with the Professional Audit Review Team (PART). In its 1982 report, PART described several projects which focussed on uses of published data; these were a small part of the full user need program. As noted in Appendix II to the 1982 PART report, EIA also:

- held a series of workshops throughout the country, attended primarily by state energy officials, to obtain state level energy data needs in terms of timeliness, frequency, and content.

- held symposia to obtain user input into EIA's two major baseline energy forecasting reports: the Short-Term Energy Outlook and the Annual Report to Congress (retitled to Annual Energy Outlook).

Users needs are considered in the development of data collection programs. In 1981 in implementing the first Information Collection Budget, the Office of Management and Budget (OMB) singled out EIA for its comprehensive burden control and respondent consultation program. OMB stated:

> "A unique feature of the EIA [forms clearance] process is the early opportunity provided for industry comments on proposed data collection instruments. In addition to Federal Register notices and public hearings, for each proposed data collection or recordkeeping effort there is a program of pre-survey contacts. For this, EIA confers with a sample of potential respondents, trade organizations, and public interest groups, to obtain the best possible estimates of respondent burden.
>
> "The draft form is sent to the same contacts who are asked to evaluate it in terms of the clarity of the design and instructions, the availability of the data requested, the compatibility of the reporting requirements to industry accounting systems, and other features that affect the time and cost for filing the form."

Although the program has been modified somewhat since then, the basic thrust remains the same. More recent efforts in this area include public hearings on the petroleum supply weekly and monthly redesigned surveys, and the consolidated petroleum marketing survey. Additionally, EIA will host a petroleum supply information symposium in August.

The above efforts, when combined, result in user consultation throughout EIA's data and analytic programs. Further, the program is in full compliance with all current OMB rules and regulations related to public consultation within the Paperwork Reduction Act.

EIA Long-Range Planning

Question 1: PART noted in its May 1982 report that EIA had experienced "chronic difficulties ... in the planning area" at the time of the 1982 report, EIA had neither an approved short-term or long-term plan. What is the status of these plans today?

Answer: As was noted in EIA's response to PART, included as Appendix II in the May 19, 1982 PART Report, EIA has had approved plans for several years. We are presently preparing the FY 1984 Annual Operating Plan. We do not prepare a detailed long-range plan every year, but do prepare general long-range plans annually as part of our response to Departmental requirements. We also prepare an Annual Operating Plan, as we have since August 1981.

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